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ABSTRACT

Advocacy for drastic change in the governance and structure of Illinois educational finance is the theme of this collection of oral presentations. Section 1 contains testimonies by G. Alan Hickrod and Lawrence E. Frank delivered to the Citizens Council on School Problems, focusing on K-12 educational funding problems and solutions. Section 2 contains speeches by Hickrod, Frank, and James Gordon Ward to a special Voice of the Prairie conference, held in Galesburg, Illinois, advocating a constitutional challenge to the Illinois K-12 funding system. Included is the "Declaration of Galesburg," which stimulated the formation of the nonprofit Coalition for Educational Rights. The third section consists of testimony and correspondence from Edward R. Hines, which address the funding and governance structure of higher education in Illinois. References and appendices accompany the articles. (LMI)

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MacArthur/Spencer Series Number 12

WITNESSES FOR THE PROSECUTION: POLICY PAPERS ON EDUCATIONAL FINANCE, GOVERNANCE, AND CONSTITUTIONALITY IN ILLINOIS (Including the Declaration of Galesburg)

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December 1989

This monograph is dedicated to the memory of Walter I. Garms, Professor Emeritus of Rochester University and Past President of the American Education Finance Association. "Mickey," as he was known to his many, many friends, would have appreciated more than most the unusual blend of scholarship and advocacy that is found in these pages. We lost an old and trusted friend; but the profession lost more, it lost a giant.

"Forward, ye maddened Sons of France; be it towards this destiny or towards that! Around you is but starvation, falsehood, and claim of death. Where you are is no abiding.

–Thomas Carlyle, The French Revolution

PREFACE

In what is now just short of three decades of work in the field of educational finance, I have become thoroughly convinced that this field has to be one of the strangest hybrid beasts to inhabit the academic barnyard. At one extreme, it is almost pure social science, working with hard data and using conventional statistical procedures combined with some special indexes germane to that particular field. Then, the study runs through public policy analysis, replete with discussion of alternative public policies, usually suggesting what "might" be the solutions to the problems often raised by the prior factual empirical research. Finally, it ends up in calls for very specific actions, often of a legal and political nature. This field is not long on theory, but it certainly takes the problem approach all the way from empirical statement through possible solutions to preferred solution.

Cognizant of the nature of this bizarre field, the good folk at the MacArthur and Spencer Foundations specified that the work they supported in educational finance in this special series not only should be directed toward basic empirical research, but also that it should explore public policy solutions to the problems revealed by the factual and empirical analysis. Hence, we are happy to publish this set of policy papers addressed to matters of finance and governance, as well as to constitutionality questions in Illinois. All of the papers in this anthology were prepared for oral delivery to specific governmental or professional groups. Often, they were delivered in the first person, with some obvious rhetorical flourishes, and sometimes with calculated dramatization. However, consistent with the interesting nature of the field, they also include a good deal of empirical analysis, including some factual analysis that has never been published before. There is also some supplication and double coverage that has not been edited out. It was the intent to preserve as much of the original flavor of the oral addresses as the printed page is capable of delivering.

The papers are divided into three sections. In Section One, the contributions by Hickrod and Frank were intended for the Citizens Council on School Problems and, for the most part, center around problems and solutions related to K-12 educational funding which are under consideration by that governmental body. Section Two is quite different. Here, are three speeches delivered by Hickrod, Frank and Ward to a special conference held in Galesburg, Illinois, hosted by the organization known as the Voice of the Prairie. These are advocacy speeches, urging those attending the conference to bring a constitutional challenge to the Illinois K-12 funding system, similar to the successful constitutional challenges that, in the recent past, have been brought in Montana, Kentucky and Texas. This section ends with a "Declaration of Galesburg," which was sent in November 1989 to every school superintendent in the State of Illinois. The organization for which the "Declaration" calls, the Coalition for Educational Rights under the Constitution, has been established as a not-for-profit corporation in the State of Illinois and its address and telephone number can be found at the conclusion of the second section of the anthology.

Finally, the third section is addressed to the funding and governance of higher education in Illinois. This consists of testimony and correspondence, largely from Professor Edward R. Hines, the Director of the Center for Higher Education at Illinois State University, and it deals with the governance structure for higher education in Illinois.

What all of these presentations have in common is that they are calls for a drastic change in the governance and structure in educational finance in Illinois. Clearly, the writers herein do not believe that "business as usual" is any longer justified. In fact, some of this writing might be even considered "revolutionary." Why would staid, old professors leave the comfortable security of their studies for the harsh realities of the revolutionary's life? Because they are good students of history and they know that, if some drastic changes are not made now, even more catastrophic changes may have to be made later.

In 1831, when the Parliament of Great Britain was considering the most important Reform Act of 1832, Thomas Babington Macaulay rose to plead with the House of Lords not to reject the reform for fear that the fate that had overtaken the French aristocrats during the French Revolution of 1789 would overtake the English aristocracy as well. His words, then and now, are an enduring and indelible message to all those who hold power and privilege in any society and they deserve to be quoted in their entirety. Macaulay, as quoted by Clive:

> Have they never heard what effects counsels like their own, when too faithfully followed, have produced? Have they never visited that neighboring country, which still presents to the eye, even of a passing stranger, the signs of a great dissolution and renovation of society? Have they never walked by those stately mansions now sinking into decay, and portioned out into lodging rooms, which line the silent streets of the Faubourg St. Germain? Have they never seen the ruins of those castles whose terraces and gardens still overhang the Loire? Have they never heard that from those magnificent hotels and from those ancient castles an aristocracy as splendid, as brave, as proud, as accomplished as ever Europe saw, was driven forth to exile and to beggary; to implore the charity of hostile governments and hostile creeds, to cut wood in the back settlements of America, or to teach French in little schoolrooms in London? And why, why, were those haughty nobles visited with such utter destruction? Why were they scattered over the face of the earth, their titles abolished, their escutcheons defaced, their parks wasted, their palaces dismantled, their heritage given to strangers? Because, because they had no sympathy with the people; they had no discernment of the signs of their times; because in the pride and narrowness of their hearts, they called those whose warnings might have saved them theorists and speculators; because they refused all concessions till the time had arrived when no concessions at all would avail."

--George Alan Karnes Wallis Hickrod
Normal, Illinois
December 1989

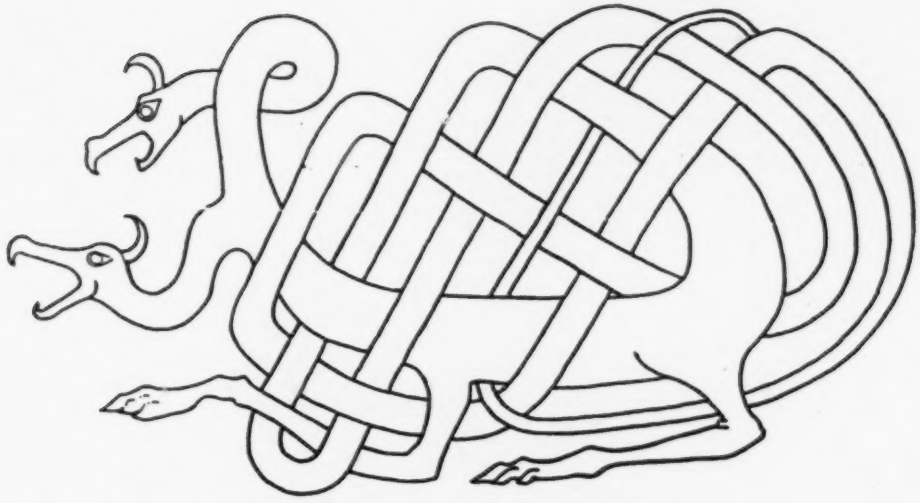
SECTION ONE

TESTIMONY BEFORE THE CITIZENS COUNCIL ON SCHOOL PROBLEMS

George Alan Karnes Wallis Hickrod
September 27, 1989

FURTHER TESTIMONY DELIVERED TO THE CITIZENS COUNCIL ON SCHOOL PROBLEMS

Lawrence E. Frank
G. Alan Karnes Wallis Hickrod



THE ILLINOIS GRANT-IN-AID FORMULA

Testimony before the
Citizens Council on School Problems
by George Alan Karnes Wallis Hickrod
September 27, 1989

Madainn mhath; Failte g'an foghlumaid. 'S dochas gun la math agaibh. (Good morning. Welcome to the University. It is hoped that you have a good day.)

My name is George Alan Karnes Wallis Hickrod, and I have the distinct pleasure and high honor of being the Distinguished Professor of Educational Administration and Foundations at Illinois State University.

It is perhaps symbolic that I begin this testimony in the Scot Gaelic. The Gaels are long known for their attachment to lost causes; and, given the history of the last decade, school finance in Illinois might well qualify for the term, "lost cause." Perhaps, however, a new day is dawning. The action of the Illinois legislature in the last term in raising the funding for education has not yet been fed into our index calculations, so we can only make some informed guesses as to what the result of those increases might be. But we know that the neglect of a decade cannot be overcome in one single legislative session, so the findings we have published as a part of the MacArthur/Spencer publications remain, in a general way, valid up to this moment in time.

I would urge those of you who might not have looked at the eleven publications in the MacArthur/Spencer series to do so, since, with pardonable pride, I consider that series among the best writing on school finance in this or any other state. The series is continuing and may amount to more than 20 publications before we are finished. A fair number of the authors in that series are here today and can answer questions about the findings of fact and opinion that are contained in the series. You have only to let us know that you are interested; and, as long as publications last, we will send them to you from the Center for the Study of Educational Finance here at ISU.

The MacArthur/Spencer series focuses upon the three goals of equity, adequacy, and economic efficiency. We believe these three public policy goals to be the three goals that a state should try to achieve, remembering always that these are ideal situations which man's creations will always fall short of achieving in totality. Unfortunately, the record to date is not very good. In publication #4 of the series, we indicated that for many of the equity indexes the state is worse off now than it was 17 years ago. The stark and dismal fact that now there is greater disparity among Illinois school districts in expenditures than there was in the early 1970's will surely be taken into consideration should the constitutionality of the Illinois school finance system be tested in the courts. Adequacy is not much better. In fact, in publication #8 we provided some data which indicate that on certain variables Illinois has the worst record in the nation. Of course, the ranking relative to other states will be helped by the recent increase in funds voted at the last session; but, again, the dismal record of a whole decade will not be wiped out overnight. Our efforts in the economic efficiency area are too preliminary to yield much of public policy import except we may have now discovered a way to measure a very narrow definition of economic efficiency, e.g., "districts with higher than expected test scores and with lower than expected expenditures." The preliminary work appears in publication #11 of the series and further publications in that series are expected within a few months.

I recanted on my resolve not to testify today, not in order to rehash research results which are, after all, available to anyone who can read English and who is also willing to accept our interpretation of the statistical techniques that must be used to analyze the data. Rather, I wish to spend the balance of these remarks in discussing solutions to the problems, rather than the problems themselves. Both I and my colleagues are available for any questions you might like to propound on the subject of K-12 fiscal policy.

There are three or four traditional solutions to the equity problem, that is, to the problem of unequal support levels among Illinois public schools. None of these treatments are without serious side-effects, but all need to be explored. First there are the equalizing effects of consolidation and reorganization. Many members of the legislature have fought in those crusades, and many honorably bear the battle scares of those encounters. While that struggle must continue, I think most of us realize that the gains by this technique are too slow and too partial to be of much help in solving the problem of unequal provision of educational services between districts. Second, there is the solution of full state funding, that is, no local funds for education with all the money for public education coming from state taxes. I believe that my colleague, Professor James Gordon Ward, is moving toward that position in his thinking. I should remind this group that not only was that solution proposed initially by a citizen of Illinois, the late Professor Henry Morrison of the University of Chicago, but also that it was espoused by the much respected former Dean of the School of Education at the University of Chicago, Alan Thomas. In addition, it was the leading recommendation of a Blue Ribbon Committee appointed by the State Superintendent in 1972 in Illinois. It may interest this group to remember that a man known to have very considerable knowledge about the practical aspects of Illinois School Finance, Dr. Fred Bradshaw, voted, at that time, with the majority of the Blue Ribbon Committee recommending no local support at all for public education, with all the funds to be provided by state taxation. Full state assumption is, therefore, a notion than cannot and should not be dismissed out-of-hand.

There is also an important variation of full state funding, e.g., full state funding only of the K-8 jurisdiction, with joint state/local funding restricted to the high school level. This notion rests upon the not-at-all-unreasonable assumption that it is the responsibility of the state government, and the state government alone, to provide for a "basic education," and that the local school district is responsible only for supporting something beyond "basic education," which is presumed to occur at the 9-12 level. This was proposed nationally by Professor Emeritus Walter I. Garms of the University of Rochester, and I believe it is supported in some respects now by my colleague, Professor Robert Arnold of ISU. This notion of full state assumption of K-8 costs by the state government also deserves careful consideration and development. There is, further, a very creative and very innovative funding structure proposed by Associate Superintendent Michael Belletire and Dr. William Hinrichs, which calls for a split-level equalization approach, e.g., one equalization effort within the service region, and then, separately, another equalization effort between service regions. This can also be viewed as an approach to "almost" full state assumption. The full state assumption or "almost" full state assumption proposals are certainly not "business as usual" models; they are significant departures from the way we have been funding K-12 education in the last several decades in Illinois. I tend to support these more radical proposals because I believe the data we have published in the MacArthur/Spencer series lead to the inescapable conclusion that we cannot go on much longer with the "business as usual" grant-in-aid systems of the past. I suspect that further publications in the MacArthur/Spencer series will provide yet additional evidence to support the notion that "business as usual" is simply not warranted.

However, unless and until, we receive a severe jolt from the Illinois Supreme Court, I suspect the General Assembly will be attacking the equity problem by means of the general purpose grant-in-aid system, that is, by what is usually referred to as "the formula." Now many, many algebraic statements can be devised to deliver more state funds to poorer districts. Dr. Hinrichs knows most of them, and what he doesn't know there are individuals in this room fully capable of inventing. The techniques of helping poor districts are known to many; the political will to do so is quite another thing. The methods in the past have been designed to level up, that is to deliver some additional funding to wealthier districts, but at the same time to deliver much more funding to poorer districts. Unfortunately, since the middle 1970's, that technique has not been working very well, mostly because we have not had enough state funds to level up. It also works only if the underlying problem of disparity in property valuations between school districts is not increasing greatly. Unfortunately, we have reason to believe, and a forthcoming publication by Belletire and Hinrichs will likely reveal, that the variance in property valuation between districts is increasing markedly through time in Illinois. Thus, the "business as usual" model of increasing the state funding through the formula and then arranging the parameters in the formula to provide more funds to poorer districts may no longer be adequate.

Therefore, if we can't be moved, short of Supreme Court dynamite, into full state assumption, and if changes in the general aid formula are too costly or too politically difficult to accomplish, is there any other way to attack the equity problem? Yes, there is one remaining approach we have not tried in Illinois. That is to withdraw the poverty impaction weighting from the formula and substitute in its place a very large categorical program for children from low income families. I recommend this course of action with considerable hesitation. In 1973, we built far better than we realized by including a factor in the formula which provides increased state funding for districts with high concentrations of low income children. Many school districts, especially large urban areas which have been losing upper income families, are able, by means of this factor in the formula, to come to some terms with the problems encountered by the loss of upper income families. Since 1973, as the concentration of low income children in a school district increases, that district receives additional state aid. Much of the research we have been doing recently on economic efficiency confirms over and over again that the major depressing effect on test scores is the concentration of poverty in the school district. Some very recent and unpublished research suggests that when anything over 50% low income pupils is reached in the district then the test scores in that district decline with especial severity. Therefore, I, personally, believe that the notion of the concentration of poverty, or poverty impact, as some people refer to it, must be kept in the Illinois funding system and I would oppose any attempt by anyone to remove it entirely from the system. It is my understanding that the funding proposals made both by Senator Maitland and by Associate Superintendent Belletire and Dr. Hinrichs do retain the notion of concentration of poverty.

However, we do have to face a very hard question which I believe was first raised by my long-time associate, Professor Ramesh Chaudhari; e.g., "How is it that for 17 years we have been distributing large amounts of state aid in Illinois based upon concentrations of low income children, and we still find that large concentrations of low income children have such a powerful depressing effect on test scores?" There are several possible answers to Dr. Chaudhari's question. Perhaps it simply takes far more funds than we initially thought to offset the effects of poverty concentration. But we know that we have been putting in more state money by means of this variable than almost any state in the Union. However, another possible explanation exists. The funds may have gotten geographically to the right districts for the last 17 years, but they may not have been used in ways that would lead to a loosening of the connection

between the concentration of poverty and the test scores. The recent Chicago School Reform Act touches upon this subject in requiring the funds that flow because of the state poverty impaction factor to districts to be spent in neighborhoods within Chicago with large concentrations of low income children. Perhaps that notion, contained in the Chicago reform, should now be extended to all school districts in the state. That action alone might be enough to make more effective use of poverty impaction funds. If that action is not enough to increase the effectiveness of poverty impaction funds, then perhaps we should experiment with a large categorical grant aimed specifically at low income children. A categorical grant of this nature could contain many regulations on how and upon whom these state funds are to be spent.

Unfortunately, my old friend, Ben Hubbard, is in Alabama, but I can almost see him frowning at this point. Not that he would not want to do something for low income children. Far to the contrary. I can think of no single person in the entire history of the state who has ever done as much for low income children as did the former Dean of the College of Education at ISU. Nevertheless, he would worry about the practical politics of setting up a large categorical for children of low income families, and so do I. If such a large categorical is viewed as some sort of "rip off" by the Chicago school district and by other large urban districts in the state, then the needs of low income children are much better off being addressed in the general aid formula than in a separate categorical grant. If "downstate" cannot support a large categorical grant for low income children, then we are much better off leaving things pretty much as they are now.

I must say that it is difficult for me to understand how anyone who has even an elementary knowledge of the geography of this state could believe that a large categorical grant for districts with more than 50% poverty impaction would benefit only the City of Chicago. For the record, let me here read a list of unit school districts in southern Illinois with high percentages of poverty impaction: Brooklyn, 94%; Cairo, 82%; East St. Louis, 78%; Meridian, 73%; Madison, 72%; Venice, 68%; Century, 54%; Zeigler/Royalton, 53%; Pope County, 53%; Shawnee, 50%; and Jappa/Maple Grove, 50%. Clearly, a state aid package with strong support for districts with more than 50% low income students would aid school districts in which the King's English is still spoken with a strong southern drawl. Yes, I know money alone will not solve the problem of poverty impaction; and for a district with more than 90% poverty pupils, I am fully prepared to plead for the intervention of Almighty God.

Superintendent Leininger, I understand you are on your way to southern Illinois after this meeting. I hope you carry this message to the good people of Madison and St. Clair Counties.

We should recall also--and we should recall carefully--that the poverty factor was deliberately engineered in 1973 to come into the grant-in-aid formula in two separate and distinct ways. It is there as a weighting, but it is also there when the wealth of the district is determined for state aid purposes. Should you divide the property valuation of the district, not by Chapter One weighted average daily attendance, but only by weighted average daily attendance, you will get a quite different distribution of state funds by that single action alone. And such a distribution of state aid as that is not a distribution that representatives of large cities or many southern Illinois districts could, or would, vote for unless they received something very substantial in return. Therefore, there seems to me to be no way to remove the poverty weighting in the present formula without having a very large categorical grant for children of low income parents sitting in the wings. To repeat: If our recent calculations are correct, such a categorical grant should provide considerably more state funds for those districts with more than 50% low income children.

I have said much more about equity than I have about adequacy and economic efficiency. That is because it is my understanding that the focus of the Council's attention is presently on "formula revision" and equity is, correctly, the primary issue when the general grant-in-aid formula is under review. Besides, as state aid is raised, our standing relative to other states should improve and thus adequacy, at least in the sense of the average level of funding in the state, should take care of itself. Economic efficiency on the other hand is a terribly, terribly difficult subject. It is easily the hardest subject we have ever tackled at the Center for the Study of Educational Finance. At times, I think that we may never be able to overcome the principal difficulty here, which is that test scores measure only a part of the output of the schools. However, to the extent that anyone is willing to accept the position that at least a substantial portion of the school output is measured by test scores, then later this year we may have something more in that area to report. Now I am acutely and somewhat painfully aware of the fact that I have imposed my views on the General Assembly of Illinois, and on anybody else that would listen for almost a quarter of a century.

Tha sin gu leor; tha gu dearbh. (That's enough, certainly). I thank you profusely for patiently listening to me at least one more time.

Thomas Carlyle closed his monumental work on the French Revolution with these words: "Ill stands it with me if I have spoken falsely; but thine also it was to hear truly". With some luck, the Council will "hear truly" from an increasing number of younger, and more informed sources relative to Illinois school finance.

Further Testimony Delivered to the Citizens' Council on School Problems[1]

Lawrence E. Frank and G. Alan Hickrod

We are today here to deliver both good and bad news regarding the current state aid formula for Illinois public schools. First, however, understand that the utmost caution must be used in the interpretation of the data set forth in this paper. The facts presented are taken from the Illinois State Board of Education's annual Report Card data. While the data are certainly accurate we have only three years worth of data with which to work. While this is a rather short period of time to use if one wishes to make statements regarding trends in Illinois education but, in fact, it is the only data in town.

We proceed with the assumption that ACT scores are a measure of academic achievement appropriate to the entire school. While it is not our purpose here to debate the relative merits of this assumption we would remind the reader that we remain unconvinced of the ability of the ACT to totally account for the "output" of the school. However, until we begin to collect data which can supplement or replace the ACT score we are, in a very real sense, forced to accept its ability to measure schools' successes.

We have, in this testimony, used the mean composite ACT score for all of the children in a district who took the test. While this group of students must, we suspect, still be somewhat selective in nature, it is less so than if one examines the scores of those students who, by self-report, plan to attend college. It is our hope that this primitive control makes the ACT score somewhat more acceptable as a measure of the output of the school and of the average academic achievement of a district's students.

A second assumption is that the percent district low income students, a data point contained in the ISBE Report Card, is a sufficiently accurate proxy of the poverty impaction index used for districts as a part of the state grant-in-aid formula. The formula, as you are well aware, allows for various permutations of the number of children counted as impoverished in the district. The definition of the poverty impaction index found in the Report Card data (and taken from a summary of data element definitions entitled The Statistics in the School District Summaries produced by the Illinois State Board of Education) is as follows.

> % Low Income: This statistic is based on the estimated count of pupils from low-income families reported for the

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[1] This information was prepared too late for distribution at the Bloomington, Illinois meeting and is distributed to members of the Council at this time for their future consideration.

school in the fall of 198_. This count includes students on free or reduced price lunch, those in families receiving public assistance , and those in foster homes supported with public funds, and pupils living in institutions for neglected or delinquent children. The figure is the percent of the low-income students in the total school enrollment.

THE BAD NEWS

First, the bad news. Over twenty-five percent of the school children in Illinois currently attend classes in districts in which the percentage of low income students is at or exceeds fifty percent. These are the "at risk" children of Illinois. Appendix A of this paper contains the names of the twenty-seven school districts in Illinois which, according the ISBE 1987-88 Report Card, have district percentages of low income students of fifty or more. These children are not confined to a single geographic area of the state nor are they the products of our large cities. Many of them reside in Cook county but a surprising number of our "at risk" children are from the southern part of the state.

As can be seen in Appendix D of this paper the percentage of students attending classes in districts with a majority of low income students has remained relatively constant over the life of the Report Card. This realization brings us face to face with an old, yet thankfully recognized problem, the relationship between poverty and academic performance.

It is a widely accepted fact that children of low income families exhibit, on the average, inferior academic performance when compared to children of wealthier family backgrounds. As we have pointed out in previous monographs, Illinois has, to the credit of those in government, long recognized this relationship and has attempted to respond to it in a positive way. The basic premise driving the current state aid formula is that we can only make progress in terms of average academic achievement if we are willing to channel fiscal resources to those districts in which the concentration of impoverished children is highest. The good news is that this scheme appears to be working; districts with a majority of impoverished children are spending more, on the average, then those districts with lower poverty impaction indices[2].

However, all may not be well with the funding formula. As we

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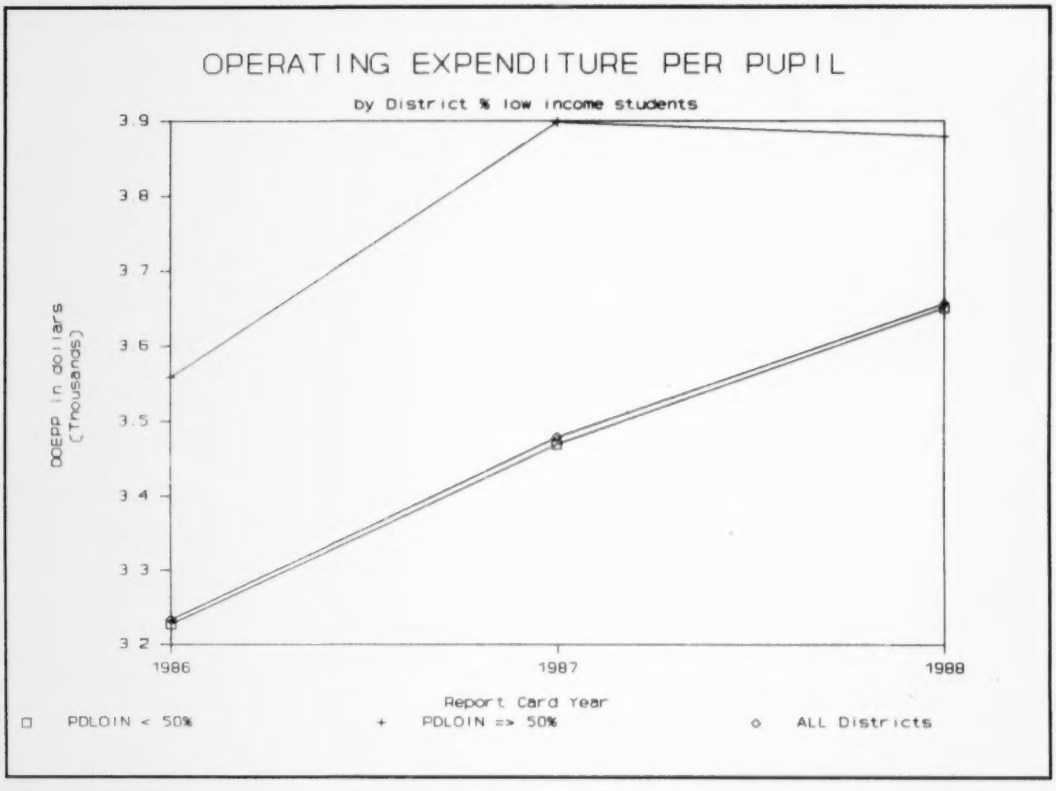
[2] In fact, Appendix F contains an ANOVA summary table from which we can infer that the expenditure per pupil is significantly greater for Illinois districts in which the percent of low income students is equal to or greater than fifty.

can see from Figure 1 the district operating expenditure per pupil has increased for all three years of the report card as an average for all districts and as an average for those districts in which the percentage of low income children is less than fifty. Yet,

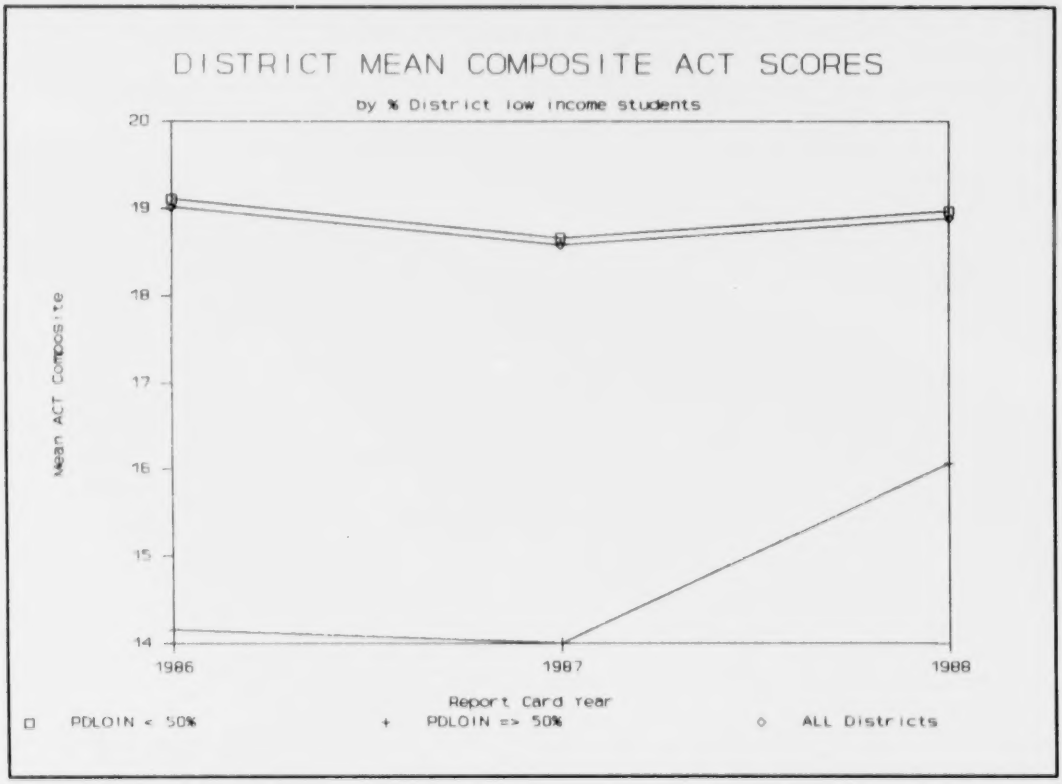


notice the line representing those districts with more than 50 percent impoverished children. In this case, the expenditure per student has, on the average, fallen from the 1986-87 value of $3898.09 to the 1987-88 value of $3879.35. While this may well be, in statistical sense, an insignificant amount it represents a real loss for those students involved.

That the operating expenditure per student has fallen at all for the poorer districts in Illinois suggests that the formula is simply not working as we had hoped it would. While it is beyond the scope of this testimony to adjust the expenditures represented for factors such as geographic costs of living or, more importantly, for inflation, work is being done in those areas and, it is hoped, the results will appear in upcoming monographs of the MacArthur/Spencer series. It is, however, obvious from the picture presented in Figure 1 that the loss of purchasing power for those districts classed as impoverished is a very real one.

THE GOOD NEWS

While decrying the fact that poor districts, and thus poor children have lost money during the past year as a result of the formula it is encouraging to note that test scores in Illinois have enjoyed a moderate increase. This seems to be in opposition to the trend at the national level. Just why this is so, or, and perhaps more importantly, if it will continue, is another area of ongoing research at The Center for the Study of Educational Finance at Illinois State University. We hope to have answers to these questions in the near future. We also look forward to reviewing the upcoming data from the 1988-89 Report Card and hope to find that this "good news" has been sustained.



The best news may well be the increase in test scores for those districts with percentages of poverty exceeding 50 percent. Why or how this phenomena has appeared is not immediately apparent. Perhaps, as with Tannhauser and his search for the Holy Grail we should simply take the fact on faith and hope that it is the will of some supreme being that the poor, at least in Illinois, should now begin to overcome the trends of the past and see improving academic achievement relative to other groups within our society. However, we suspect that further analysis of the data is needed before we can make any sweeping statements such as this. Based on

the short number of years for which data is available we are unable to explain this relationship of test scores to expenditures. We await anxiously the availability of upcoming report cards so that this analysis may continue.

THE MIXED NEWS

Having clearly passed the bounds set down by Joe Friday, that is more than just the facts have been presented, let us return to the relationship between impoverished districts and achievement in the Illinois schools.

We have, thus far, examined the simple relationships found over time within two measures of equity in Illinois high schools: district operating expenditure per pupil and mean ACT composite scores by district. Further, we have categorized districts as those having less than fifty percent of their total enrollment made up of low income children and those in which fifty percent or more of the children are classed as low income. Clearly, two major questions arise from this analysis. Is there a relationship between operating expenditure per pupil and ACT score? Is there a relationship between the two categories of districts (based on percentages of low income children) and ACT scores?

First, let us discuss briefly the question of the relationship of expenditures and ACT scores. Current research is not absolutely clear on this point and, given the interactions between expenditures, test scores, and family income, it may never be possible to answer this question. Fortunately, however, simply relating dollars expended to points of ACT produced is, it seems to us, not the appropriate question anyway. The work which Ching Liu began in a dissertation, which was continued in Monograph #11 of the MacArthur/Spencer series at ISU, and which continues suggests that the central question may be how a district spends it dollars and not how many dollars a district spends. We are, in educational research, only recently coming to the realization that the mere level of investment of dollars will not solve the problems of achievement which is, we hope, the basic goal of any policy or research work done in the name of educational finance.

Let us, for now, leave the question of how a district spends its money save for a single policy suggestion. It may be in the best interests of the students and tax payers of this state to consider categorical grants for "at risk" children as a part of any new formula. We hope to publish a considerable body of research relative to the question of how districts allocate their resources and the relationship of various general schemes of allocation to academic achievement as measured by test scores. This work, in progress but far from finished, suggests, from preliminary results and past theory, that the "how" question in expenditures will discriminate among levels of academic achievement. We believe that a sound argument for categorical grants as a part of the formula

will follow from the current research.

There will certainly be some opposition to categorical grants by those who espouse local control. They will, and in some cases correctly, point out that a state government can not and should not be able to respond to the needs of a local populace. They will argue that this is the sole province of the local board and that this underlying premise is the base of sound law in this and many states which engenders local control of the schools. We fear, however, that many of these same localists are eager to accept state tax dollars. We have heard many of them argue that the state must add new dollars, real new dollars and not simply dollars to keep pace with inflation, to local grants if the schools are to be successful.

This argument is, it seems to us, one for further state assumption. We also realize that there is, in deed, no free lunch. If we have reached a point in Illinois at which local districts are unable to fund local schools then the state, as the body legally responsible for providing public education, must assume this responsibility. We would assume (and would hope that) the legislature would impose more stringent controls on dollars flowing to local districts if those dollars have, in fact, come from outside the local districts. A transfer of wealth, which is simply what state assumption and the current type of formula could produce, moves dollars out of relatively rich areas of the state and into relatively poor areas of the state. It is, it seems to us, both the legal and the ethical responsibility of state government to ensure the prudent allocation of resources within the schools if these resources in fact result from such a transfer. If the state assumes a larger share of the funding of schools then the state should exert a greater measure of control over the expenditure of funds within the "local" districts.

But, enough of this debate concerning the funding of schools. We await the results of the question of "how" schools are allocating their resources and will have more to say on the issue of categorical grants when that work has been completed. Let us now return to the question of the relationship of poverty impaction and mean ACT scores in Illinois today.

The sad truth is that students in districts with fifty percent or more low income students are, in Illinois, receiving significantly lower ACT scores than students in other districts. The gap can be clearly seen in Figure 1. Further evidence is offered in Appendix E. There a statistical analysis is summarized which suggests that, for the 1987-88 school year, low income districts mean scores are significantly lower than the scores of other districts.

This is unacceptable and may be unconstitutional as well. Equity has traditionally been addressed as a question of funding

and, to the credit of the Illinois legislature, has been considered in the formula for a number of years in this state. However, we suggest that it is time to consider the question of equity from a not so different perspective, that is equity of achievement.

The data offered in this testimony suggests that a child's residence may well determine his academic achievement. Now, that suggestion is neither original nor even new. It is simply a restatement of the notion that low income and ACT scores are closely linked. In fact, what we are saying is that students' ACT scores and thus, for our current analysis, their academic achievement, are a result of the location in which they happen to live. We can point to the twenty-seven district listed in Appendix A and, with certainty, point out that students living in these districts will, on the average, exhibit achievement which is at a lower level than that of students in the remaining districts in Illinois. That this is so for over twenty-five percent of our children is reason for concern and perhaps for constitutional litigation. An argument can and should be advanced that children in districts with more than fifty percent low income students are being systematically deprived of their constitutional and educational rights.

SO WHAT?

Clearly, we must address the question of equity of opportunity for the twenty-five percent of Illinois children who are guaranteed lower than average achievement scores by virtue of their residence. Two possible courses of action relative to changing the formula come immediately to mind. The formula could be changed so that ever larger amounts of dollars are channeled into those districts which, by their demographic composition, demonstrate a need or, conversely, categorical grants could be developed.

The argument against the first course of action is, we feel, that simply pouring dollars on the problems may not offer a solution. It is, it seems to us, much like attempting to put out a fire with a series of three extinguishers, one each of types A, B, and C. One must first determine what type of fire is being fought. Pouring water on an electrical fire may well cause harm to the practitioner as well as failing to extinguish the blaze. Further, applying the incorrect extinguisher to the fire will simply use up that particular resource and, as in the case of water on an electrical fire, will not offer a solution to the problem. As with fire fighting, financing the schools in Illinois is not a simple matter of the continued application of dollars. As with the extinguishers, the amount of money which can be applied does have some practical limits.

This leaves us with the solution offered by categorical grants. This is politically a much more difficult solution. As pointed out in the original testimony by Hickrod, it may not be one

which "downstate" may buy. The list of 27 districts in Appendix A does not give the impression of overwhelming political strength. But the categorical may be a better answer to the problem of equity of opportunity. We offer no suggestions as to the types of categorical grants for "at risk" students which should be offered. That is probably the responsibility of specialists in instruction rather than school finance analysts.

We also finally caution yet again against "band aid" solutions. The problem of the one quarter of Illinois students in schools with a majority of low income students needs a major procedure, not a cosmetic surgery. At a minimum, this is a matter of 400 to 500 million new tax dollars and that must be spent on "at risk" students and spent very carefully. Education may well be today in a situation not so very different from that envisioned by Victor Fuchs for the health care sector of our economy[3]. His thesis, briefly stated, is two-fold in this metaphoric application.

First, people tend to determine their maximum expenditure for health care based not on the criteria of good health but on the avoidance of sickness. That is, we spend scarce resources to "cure" symptoms and not in an attempt to maintain good health. The problem we have outlined for Illinois education is similar. We are not, at this juncture, concerned with educational maintenance but with "curing" the symptoms of the "at risk" student in Illinois. As the data demonstrates, the disease is spreading and, assuredly, we simply increase the investment necessary even to treat the symptoms as we choose to ignore the problem.

Second, Fuchs suggests, the problem in health education, and here he is speaking of educating in a public health context,

> ...is to choose the best set of interventions. To do this, we need to identify the costs of each intervention; we need to know the functional relationships between the interventions and the outcomes; and we must place a value on each outcome. Given this information, we could, in principle, allocate the scarce resources among the interventions in order to maximize the value of the outcomes[4].

We must act quickly to develop new tax dollars. Those dollars must be spent primarily on Illinois' "at risk" students. We must spend those dollars in the most cost-effective manner possible.

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[3] Fuchs, Victor R. The health economy. Cambridge, Massachusetts: Harvard University Press, 1986.

[4] Ibid. p 33.

Appendix A

Districts with Percent Low Income of 50% of more in 1988

District Name	County	% District Low Income	Dist. Type
Tamaroa School Dist 5	Perry	51	Elem
Cypress School Dist 64	Johnson	52	Elem
Akin Comm Cons School Dist 91	Franklin	57	Elem
East Chicago Hghts Sch Dist 169	Cook	58	Elem
Gen Geo Patton School Dist 133	Cook	60	Elem
Kell Consolidated School Dist 2	Marion	61	Elem
Posen-Robbins El Sch Dist 143-5	Cook	62	Elem
North Wamac School District 186	Clinton	63	Elem
Fairmont School District 89	Will	69	Elem
Harvey School District 152	Cook	74	Elem
Chicago Heights School Dist 170	Cook	77	Elem
Pembroke C C School District 259	Kankakee	94	Elem
St Anne Comm H S Dist 302	Kankakee	66	HSch
Shawnee C U Sch Dist 84	Union	50	Unit
Joppa-Maple Grove Unit Dist 38	Massac	50	Unit
Kankakee School Dist 111	Kankakee	50	Unit
Pope Co Comm Unit Dist 1	Pope	53	Unit
Zeigler-Royalton C U S Dist 188	Franklin	53	Unit
Century Comm Unit Sch Dist 100	Pulaski	54	Unit
Venice Comm Unit School Dist 3	Madison	68	Unit
City of Chicago School Dist 299	Cook	68	Unit
LaHarpe Comm Unit Sch Dist 335	Hancock	72	Unit
Madison Comm Unit Sch Dist 12	Madison	72	Unit
Meridian C U Sch District 101	Pulaski	73	Unit
East St Louis School Dist 189	St. Clair	78	Unit
Cairo Unit School District 1	Alexander	82	Unit
Brooklyn Unit District 188	St. Clair	94	Unit

Appendix B

Districts with Percent Low Income of 50% of more in 1987

District Name	County	% District Low Income	Dist. Type
Ludlow C C School Dist 142	Champaign	51	Elem
Cypress School Dist 64	Johnson	53	Elem
Joliet School Dist 86	Will	53	Elem
Glendale C C Sch Dist 160	Jackson	59	Elem
Kaskaskia Island Cons SD 124	Randolph	61	Elem
Chicago Heights School Dist 170	Cook	73	Elem
Posen-Robbins El Sch Dist 143-5	Cook	74	Elem
Fairmont School District 89	Will	74	Elem
Harvey School District 152	Cook	74	Elem
W Harvey-Dixmoor Pub Sch Dist 147	Cook	83	Elem
East Chicago Hghts Sch Dist 169	Cook	95	Elem
Pembroke C C School District 259	Kankakee	99	Elem
Goreville Twp H S Dist 71	Johnson	51	HSch
St Anne Comm H S Dist 302	Kankakee	70	HSch
Pope Co Comm Unit Dist 1	Pope	51	Unit
Meridian C U Sch District 101	Pulaski	66	Unit
City of Chicago School Dist 299	Cook	67	Unit
Madison Comm Unit Sch Dist 12	Madison	75	Unit
Venice Comm Unit School Dist 3	Madison	80	Unit
East St Louis School Dist 189	St. Clair	81	Unit
Cairo Unit School Dist 1	Alexander	83	Unit
Brooklyn Unit District 188	St. Clair	92	Unit

Appendix C

Districts with Percent Low Income of 50% of more in 1986

District Name	County	% District Low Income	Dist. Type
Glendale C C Sch Dist 160	Jackson	50	Elem
North Wamac School Dist 186	Clinton	51	Elem
Joliet School Dist 86	Will	54	Elem
Cypress School Dist 64	Johnson	59	Elem
Possen-Robbins El Sch Dist 143-5	Cook	72	Elem
W Harvey-Dixmoor Pub Sch Dist 147	Cook	75	Elem
Chicago Heights School Dist 170	Cook	76	Elem
Harvey School Dist 152	Cook	77	Elem
Fairmont School District 89	Cook	82	Elem
East Chicago Hghts Sch Dist 169	Will	92	Elem
Pembroke C C School District 259	Kankakee	99	Elem
St Anne Comm H S Dist 302	Kankakee	60	HSch
Pope Co Comm Unit Dist 1	Pope	51	Unit
Egyptian Comm Unit Sch Dist 5	Alexander	56	Unit
City of Chicago School Dist 299[5]	Cook	66	Unit
Madison Comm Unit Sch Dist 12	Madsion	73	Unit
Meridian C U Sch District 101	Pulaski	73	Unit
East St Louis School Dist 189	St. Clair	80	Unit
Venice Comm Unit School Dist 3	Madison	82	Unit
Cairo Unit School Dist 1	Alexander	82	Unit
Brooklyn Unit District 188	St. Clair	93	Unit

[5] The percent district low income reported as a part of the 1986 ISBE Report Card was 45%. However, sources within the City of Chicago School Board offices have explained that this 45% figure was based on Federal and not on State Code guidelines. Thus, the 66% figure used in this testimony is simply an mathematical extrapolation.

Appendix D

Districts with % district low income equal to or greater than 50

Year	Number of Districts	District Enrollment	Total State Enrollment	Dist Enroll as % of State
1986	21	471,521	1,800,331	26.190
1987	22	470,134	1,796,839	26.164
1988	27	456,055	1,783,317	25.573

District Composite ACT mean for ALL students taking test

Dist Type	PDLOIN[6]	1986	1987	1988
HS	< 50	19.415	19.118	19.243
HS	=> 50	15.000	15.650	14.300
HS	ALL	19.379	19.054	19.201
UNIT	< 50	19.031	18.054	18.901
UNIT	=> 50	14.067	13.675	16.193
UNIT	ALL	18.931	18.549	18.814
DIST W/HS	< 50	19.114	18.670	18.974
DIST W/HS	=> 50	14.160	14.620	16.067
DIST W/HS	ALL	19.027	18.589	18.895

District Operating Expenditure per Pupil

Dist Type	PDLOIN	1986	1987	1988
ELEM	< 50	3238.000	3444.101	3617.466
ELEM	=> 50	3190.822	3615.333	3659.417
ELEM	ALL	3192.035	3448.902	3618.664
HS	< 50	4485.051	4809.664	5091.243
HS	=> 50	5426.000	5398.000	7291.000
HS	ALL	4492.827	4819.388	5110.207
UNIT	< 50	2912.568	3126.954	3289.081
UNIT	=> 50	3743.111	3947.250	3819.923
UNIT	ALL	2929.557	3141.767	3304.982
DIST W/HS	< 50	3255.033	3488.402	3675.739
DIST W/HS	=> 50	3911.400	4237.400	4067.857
DIST W/HS	ALL	3266.733	3501.683	3685.720
ALL TYPES	< 50	3227.372	3469.403	3650.553
ALL TYPES	=> 50	3558.667	3898.091	3879.346
ALL TYPES	ALL	3234.406	3478.910	3656.686

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[6] PDLOIN is Percent District Low Income (students).

Appendix E

Analysis of Variance

District Composite ACT Mean for all students in district taking test[7]

by LOINCAT (<50% or =>50% low income students)
TYPN (HS or Unit District)

Source	Sum of Squares	DF	Mean Square	F	Sig of F
LOINCAT	118.987	1	118.987	47.152	.000
TYPN	9.331	1	9.331	3.698	.055
LOINCAT X TYPN	4.616	1	4.616	1.829	.177
RESIDUAL	1382.852	548	2.523		
TOTAL	1520.168	551	2.759		

[7] Data source is the 1988 ISBE Report Card.

Appendix F

Analysis of Variance

District Operating Expenditure Per Pupil[8]

by LOINCAT (<50% or =>50% low income students)
TYPN (Elementary, HS, or Unit District)

Source	Sum of Squares	DF	Mean Square	F	Sig of F
LOINCAT	3471445	1	3471444.762	3.927	.048
TYPN	301514029	2	150757014.724	170.558	.000
LOINCAT X TYPN	4899870	2	2449934.996	2.772	.063
RESIDUAL	852084916	964	883905.514		
TOTAL	1159823339	969	1196928.111		

[8] Data source is the 1988 ISBE Report Card.

SECTION TWO

TESTIMONY PRESENTED AT THE VOICE OF THE PRAIRIE CONFERENCE
October 28, 1989
Galesburg, Illinois

The Forgotten Illinois
G. Alan Hickrod
Lawrence E. Frank

Constitutional Challenges to Educational Funding Systems

David L. Franklin

Ending School Funding Inequalities: Confronting a Moral Imperative

James Gordon Ward

THE FORGOTTEN ILLINOIS

by
G. Alan Hickrod
Lawrence E. Frank

Previously, I have publicly admitted that I am one of those weak-minded individuals whose writing and speech-making are always influenced by whatever I happen to have been reading at the time I sat down to put my poor thoughts to paper. And it happened again this time. The two books I happened to be reading just before sitting down to the word processor were: Harvard's prize-winning historian, John Clive's new book, Not by Fact Alone; and, with some presence of forethought, our host, James Nowlan's new book, A New Game Plan for Illinois. Both are extremely fine books, and both make me extremely envious that I don't write that well. Moreover, in my estimation, the books are related.

Clive argues that the truly great historians of the past--Edward Gibbon, Thomas Babington Macaulay, Thomas Carlyle, Lord Acton, David Hume, etc.--were committed scholars who went beyond their data to use the past for a purpose. Sometimes, this was consciously done; and, sometimes, it may have been unconsciously done. In any event, they were men with a message. They had something to teach or preach; and they combined the world of the analyst with the world of the advocate. I accept Clive's thesis, and I think James Nowlan's book illustrates the same principle. Painting with a very broad brush, Nowlan castigates Illinois as the "barely average state" and illustrates in vivid prose the degree to which major parts of Illinois are not sharing in the prosperity that is enjoyed by other parts of the state. But Jim is not content with mere diagnosis; he prescribes as well for what he sees as a very sick patient.

What I shall do in the next 30 minutes is to provide one long-extended, educational footnote to the Nowlan thesis. Our task, as I understand it, is to try to determine whether a group of concerned citizens should bring a lawsuit in Illinois alleging that the system of funding for K-12 education is repugnant to the state constitution. My colleague, Professor David Franklin, shall deal with the legal aspects of the situation and my job is to summarize some of the financial findings that have appeared in recent studies published by the Center for the Study of Educational Finance at Illinois State University. Together with Professor James Gordon Ward of the University of Illinois--from whom you will also hear today--I have the privilege of directing a special series of studies on educational finance in Illinois funded by the John D. and Catherine T. MacArthur Foundation and the Lyle Spencer Foundation. Eleven of these studies have been published and many more are in preparation. If you should like any of these studies, you have but to contact the Center at Illinois State University and we will furnish them as long as the supply lasts. We have hopes of publishing the entire series in hard back form at some later date.

However, I am a Distinguished Professor, and that is a very unruly sort of beast. Oh, I will do what I have been told to do, but I also reserve the right to preach or teach beyond the data. Indeed, we must begin with the facts in Illinois, which would feature prominently as "findings of fact" should anyone decide to undertake litigation in this state. At the outset, let me openly proclaim that I believe the facts do strongly support the plaintiff; that is, the facts support those who would challenge the K-12 funding system in Illinois. Also, let me honestly state that I am presenting a "brief" today; that is, I have made no attempt to array facts which might be used by the state in support of the present funding system. I should not expect the findings presented here to go uncontroverted; but, in the spirit of advocacy research, I leave it to the opposition to make their own case as best they might. Given the many things that I have written and that I have

said about Illinois school finance over the last quarter of a century, it is certainly sure that the state will never call me to the stand as an expert to support the present system. However, I will admit that I don't do this sort of thing very well. I am a much better professor than I am a lawyer and, to prove that point, when I testified in one case, Cincinnati v. Walters, the testimony was so damaging to the state that the plaintiff took over the testimony. So, if there is a opposition out there, it will pay them to listen or read carefully what follows.

It is customary to begin with expenditures per pupil. In fact, there is so much of this litigation that there is even a thing known to expert witnesses as the "standard Serrano opening." This consists of a demonstration by plaintiff that there are enormous differences within the state in terms of expenditures per pupil. There certainly are in Illinois. In the last data available to us, the full range for elementary districts was $10,927 to $2,126 for a ratio of 5.14:1. For high school districts the range was $9,234 to $3,035 for a ratio of 3.04:1. For unit districts the range was $6,668 to $2,475 for a ratio of 2.69:1. This is a little unfair. There are some complexities in school finance, often related to economies of scale, which cause unusually high or unusually low expenditures per pupil. A fairer statement of the disparities is to take off the top ten and bottom ten of the districts which results in a "restricted range" which is: for elementary districts, $6,568 to $2,331 for a ratio of 2.82:1; for high school districts, $6,903 to $3,585 for a ratio of 1.93:1; and for unit districts, $4,624 to $2,605 for a ratio of 1.78:1.

An even fairer statement of the disparity is to adjust the raw expenditures by the geographic cost-of-living index, if one happens to be available in the state. This, then, results in range statements that are in constant dollars or comparable dollars of purchasing power. Such an index is available for Illinois; it was constructed by Professor Walter McMahon of the University of Illinois. When McMahon's index is applied to the expenditure per pupil differences, the ratios are reduced to 4.84:1 for elementary districts, 3.20:1 for high school districts, and 2.70:1 for unit districts. If it can be assumed that expenditure levels adjusted for geographic cost-of-living are good indicators of educational goods and services provided, then these are still considerable spreads in terms of K-12 educational services provided in Illinois.

A second part of the "standard Serrano opening" is to show that taxpayers in one district must exert considerably more fiscal effort than taxpayers in another district and yet receive far less by way of goods and services. One can do that with almost any two districts in Illinois. For example, if one looks at the Seneca high school district, one finds an operating tax rate of 0.6581 which is one of the lowest in the state. However, Seneca is so wealthy in terms of property valuations that students in that district receive educational goods and services valued at $9,403 in terms of operating expenditures per pupil. By contrast, in the neighboring high school district of LaSalle-Peru, the tax rate is 1.4389 which only allows $3,891 in per pupil spending. In Seneca, approximately 2.5 dollars are spent on each student per year for every one dollar spent on a LaSalle-Peru student. In all fairness, however, one must realize that the operating expenditure per student includes state dollars as well as local fees. The more revealing comparison, in the case of Seneca and LaSalle-Peru high schools, is in the equalized assessed valuation per student. When local wealth is expressed as the ratio of equalized assessed valuation to average daily attendance, each LaSalle-Peru student is backed by $129,381 while each Seneca student is financed by $1,651,049. This is a ratio of approximately 13:1! Thus, there are two sides to the equity problem. Students are condemned to receive different levels of goods and services depending upon where they live, and taxpayers are not treated equally under the law because their tax rates, too, are dependent upon where they live. Therefore, both situations are said to violate the economic principle of the "equal treatment of equals," and, depending on the nature of

the law suit, either or both considerations are alleged to violate the "equal protection of the laws" clause of the state constitution. Reference may also be made to the education article of the state constitution if suitable language is found there.

So much for the "standard opening." However, we play a much more sophisticated game of school-finance chess in Illinois. This is largely due to the presence at Illinois State University of the longest-running equity analysis in the whole United States. For seventeen years, equity indexes have been computed each year on Illinois school districts. The last report of this equity analysis was in monograph number 4 of the MacArthur/Spencer series, and it is to those findings that I now turn. Quite a number of indexes of disparity in expenditures per pupil between pupils are now computed throughout the United States and duly reported in the pages of the Journal of Education Finance. The one that tends to have the greatest acceptance among analysts is known as the "coefficient of variation," which is the standard deviation divided by the mean and multiplied by 100. Using that index, we can discern a definite pattern through time in Illinois.

Fundamentally, there was an improvement in the situation in the early 1970's; that is, expenditures per pupil were becoming more alike between Illinois school districts up until about 1976. However, since that date, there has been a long decline in the situation and expenditure-per-pupil disparities have been steadily growing worse and worse. For the year 1987-88, elementary districts were much more unequal than they were in 1972-73, high school districts were somewhat more unequal than they were in 1973-74, and unit districts were also somewhat more unequal than they were in 1972-73. The progress made in the early 1970's toward a more equal treatment of students has been completely wiped out.

The long-running equity analysis at the Center for the Study of Educational Finance also contains a number of measurements which relate the wealth of the district to the expenditure of the district. This is important since the Serrano court announced a dicta that said in essence that "expenditures should not be a function of the wealth of the district but only a function of the wealth of the state." Sometimes, this notion is referred to in the literature simply as "wealth neutrality" or in earlier cases as "fiscal neutrality." Technically, there are several of these indexes, including something known as the "Gini Index," plus both weighted and unweighted regressions and "elasticity" measures. Obviously, a description of all these technical measurement devices is not appropriate for this audience. However, it turns out that it really does not matter what measurement device one uses, since the fundamental findings in Illinois are the same as those for equity; e.g., some progress was made in the early 1970's and then there was been a long, long deterioration of the situation. As of our last calculations, 1987-88 expenditures per pupil were more dependent upon the wealth of the school district in elementary districts and high school districts than they were in 1972-73, indicating again that the improvements of the early 1970's have been entirely wiped out. The situation is somewhat more irregular for unit districts, but there has been a deterioration on most indexes since about 1980.

Clearly, the evidence indicates that, should the Illinois state supreme court impose the "Serrano dicta," the state would not be able to withstand the challenge. In fact, the evidence is so overwhelming that, in my judgment, the state may simply stipulate that the expenditure gap has widened and that we are nowhere near achieving "wealth neutrality." Parenthetically, it should be mentioned that throughout this discourse we have been assuming that the state will defend. One should remember that

it is within the power of the State Superintendent to plead "no contest." If Superintendent Robert Leininger were to feel that, in good conscience, he could not defend a system in which he does not believe, he might do just exactly that.

Challenges to the constitutionality of state K-12 funding systems also turn on question of "adequacy" as well as "equity." In my judgment, here the situation is not not nearly as clear as it is with regard to equity. At least, findings in this area are far more likely to be controverted. In MacArthur/Spencer monograph #5, my colleague, Prof. Ward, has discussed the difficulties of defining what is meant by "adequacy." Nevertheless, we have accumulated empirical evidence on this subject which can be found in publications #4 and #8 of the MacArthur/Spencer series. To date, publication #8, entitled "Guilty Governments," has been more widely quoted by the press than has any other publication in the series. So far, in our work at the Center, we have used only three approaches to adequacy. We have looked at whether the average per pupil expenditure in the state is keeping pace with the cost-of-living through time; we have looked at our standing in Illinois relative to other states on a number of educational measurements; and, finally, we have looked at whether our fiscal effort through time compares favorably or unfavorably with other states. Briefly, the findings are as followings. We do seem to barely keep pace with the cost-of-living through time. However, in constant dollars there is little or no improvement through a long period of time. Our standings relative to other states can only be termed an out-and-out catastrophe, and our fiscal effort through time is not good. We will provide a bit more evidence on the two last points, but time will not permit us to elaborate all this evidence.

With regard to our rankings with other states: the basic problem is that we ranked rather well in the past; but, over the last decade, the state has performed so badly on educational spending that it fell dramatically and its rankings have slipped a great deal. For example, on expenditures per pupil adjusted by the McMahon cost-of-living index between states, Illinois fell a total of 24 ranks over the last ten years which was the worst record in the nation.

While Illinois was falling that many ranks, the State of Texas was rising almost the same number of ranks. Clearly, Texas assigned a much higher priority to educational spending during the last decade than did Illinois; and this was all before the recent state supreme court decision there of Edgewood v. Kirby. However, the statistic quoted by most of the major newspapers in the state was in terms of our collapse in expenditure per capita adjusted by the McMahon index. That was truly a spectacular plunge of 37 ranks--again, the worst in the nation--putting Illinois in 44th position on that particular measure. The rankings and the change through time were all completed prior to the passage of the most recent income tax increase in Illinois. We are constantly asked what we think will be the effect of the recent income tax increase on those findings. Our best guess is that it will raise our rankings probably four or five places, but that one simple increase in the income tax cannot wipe out the effects of a whole decade of neglect. However, that is just a guess; you will just have to wait, along with us, for another six or eight months until all the states have reported there educational expenditures for the current year so that we can do the analysis once again.

What makes us believe that we will not have bettered our rankings a great deal, even with the income tax increase, is the final piece of evidence in what might be called a "standard fiscal analysis"--the evidence of our fiscal effort for education over time. It is agreed by most analysts that if change in expenditure over a decade is divided by change in either the tax capacity of the state, or, if that is not readily available, the change in income of the state, one has a fairly good index of the fiscal effort exerted by a state with the passage of time. There is even something of a theory for this, which is

rare in educational finance since it is a field dominated more by empirical investigation than by theory. However, the theory is that educational spending increase is expected to be close to proportional with income increase. If percentage increase in expenditure is divided by percentage increase in income, the ratio should be 1.00. As usual, the theory is wrong. Our empirical estimates for the United States show us that income elasticity of demand for education is not 1.00; it is closer to .844. However, what is depressing is that income elasticity of demand for education in Illinois is much lower than that, coming in at around .652. Now granted, if we made the educational spending recommended by our host in his New Game Plan for Illinois, we would increase that statistic a great deal and maybe even come within shooting distance of some of the leaders such as West Virginia which comes in at 1.154, Texas at 1.151, and Kentucky at 1.116. It is most interesting that these three states, all of which have had important school finance litigation, have been making strong fiscal efforts for education.

I have now completed what I think I was expected to do. Before I leave you, with a bit of admitted evangelism, I need to comment briefly on that third goal of educational finance: efficiency. This appears to be a much more unclear and less than tidy area than that of the equity and adequacy aspects of educational finance. Recently, we published from the Center a study of efficiency using the test scores provided by the Illinois State Report Card; however, that study was done prior to the decisions in Rose v. the Council and Edgewood v. Kirby. We still believe that the empirical definition for efficiency which we used in study #II of the MacArthur and Spencer series entitled, "The Biggest Bang for the Buck," is a viable one: e.g., "higher than expected test scores at lower than expected expenditures." We fully intend to pursue that line of research in the future. It is clear to us that neither the supreme court in Kentucky nor the supreme court in Texas defined "efficiency" the way economists and financial analysts normally use that term. It appears to us, at least on perhaps superficial analysis, that Kentucky said, if you are not equitable and you are not adequate, then ipse dixit, you are not efficient. It appears that Texas did not even need the adequacy term; Edgewood seems to say that if you are not equitable, that alone is enough to make the system "not efficient." We look forward to being instructed by our betters in the amazing and intricate ways of legal terminology.

In the course of our work with the test scores in Illinois, we are bringing to the front some very very disturbing matters. The important thing for this audience is that we think these test scores matters are fully as important--indeed they may be more important--than the traditional finance variables with which we have worked in the past. For example, it is a deplorable fact that one quarter of all the school children in Illinois are educated in school districts in which more than a majority of children come from low-income parents. There are 27 of these "majority poor" districts in Illinois. Some of the percentages of low income figures are truly staggering; e.g., Harvey, 74%; Chicago Heights 77%; Pembroke, 94%; East St. Louis, 78%; Cairo, 82%; and Brooklyn, 94%. The reason we are so deeply concerned with these percentages is that our research clearly shows that, when the percentage of low-income students goes beyond 50%, the average ACT scores in those school districts falls like a stone. These are not "at risk" children, that term does not begin to describe the situation in the majority-poor school districts. Maybe, these are condemned children. A child in a school with an average ACT of 9--when the state average is closer to 19--is not going anywhere but to the streets and to the drug culture. Furthermore, we are tending toward the conclusion that a child's constitutional rights may be violated just as much by low test scores as by low expenditure levels. It may not be right; it may not be ethical; and it may not be constitutional for the test score of a child to be determined by the place in which that child must reside. We promise more research on this matter in the future.

I believe that underlying all these statistics that I have recited for you this morning there is a chronic and debilitating disease at work in Illinois. It is the phenomenon of greatly unequal economic and social development within the state. The sad fact is that, as the collar counties and the high-tech-dominated corridor around Chicago march bravely into the 21st century, they are simply not taking all the rest of us with them into the promised land. So, I came here to Galesburg today to plead for the Illinois that was left behind--for the forgotten Illinois. I take this action in the belief that there is a bar of justice somewhere which will hear the anguished cries for help that emanate from the high-rise hells that are the public housing projects in the City of Chicago and from similar locations elsewhere in Cook and Kankakee Counties. I believe that there is a bar of justice somewhere that will heed the distress signals that are sent daily from that poverty pocket in Illinois that sits across the river from the City of St. Louis in Madison and in St. Clair Counties. I believe that, at long last, the needs of the never-adequately-represented people of deep southern Illinois, where there are whole counties in which the largest source of income is public welfare, will be known. That a light will finally fall on those old, historic areas of Alexander, Pope, Pulaski, Union and Massac Counties. And last, but far from least, I believe that the "rear guard" which is now trapped in the small towns on the prairies of Illinois, towns which are literally drying up and blowing away, will be adequately relieved.

So, I say to the citizens of the fortunate and the affluent schools in the northeastern part of this state: as your troops march into the high-tech future, learn a lesson from the United States Marine Corps. You always, always, take the wounded and the dying out with you or you damn well don't go.

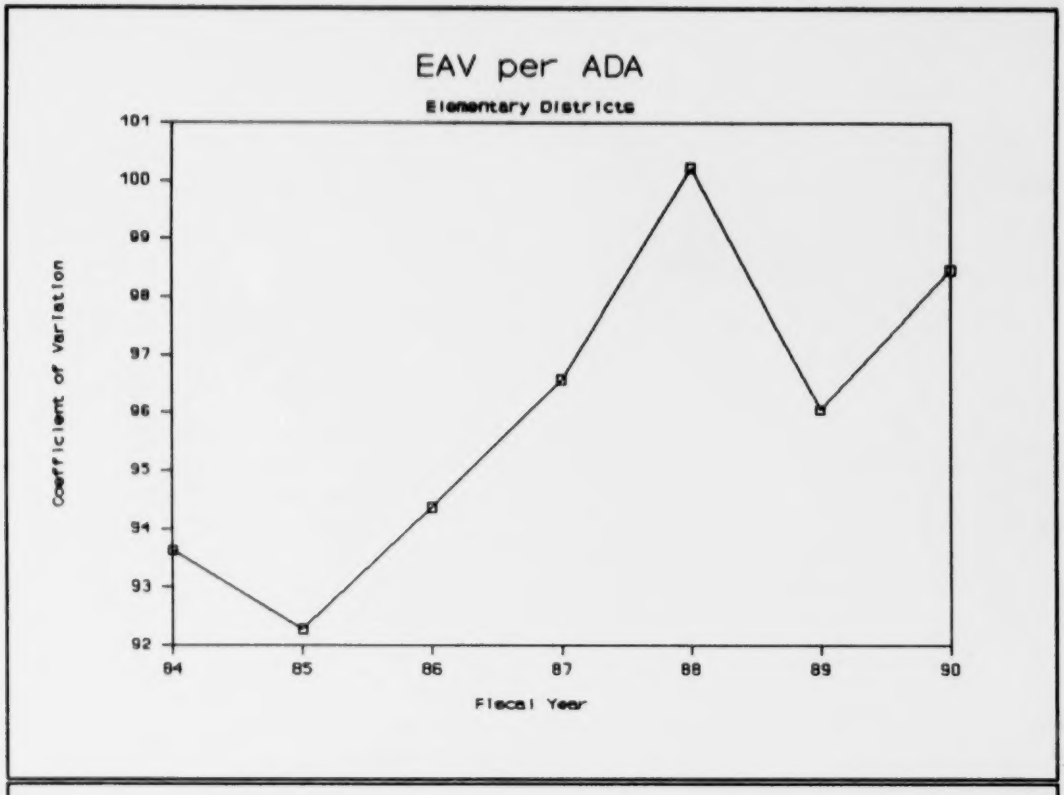
Special Appendix:
Unequal Economic Development in Illinois

A speech intended to motivate people is not the best vehicle in the world for introducing new evidence concerning an old problem in school finance. Nevertheless, the importance of unequal economic development in Illinois is so great that we thought it necessary to append this bit of new evidence not previously published in any of the studies from the Center for the Study of Educational Finance at Illinois State University.

Virtually all students of school finance agree that the base of the equity problem lies in the unequal distribution of property valuations between local school districts in almost all states within the Union. To be sure, some states do have a much greater problem with this than others do, but almost all show a considerable disparity in the crucial inter-district wealth measurement that is property valuation per pupil. Virtually all students of school finance would also agree that the amount of state funds needed to offset local wealth disparities varies directly with the spread of the underlying valuations. Since Illinois is a state with larger disparities than most, it therefore follows that very large amounts of general state aid are needed to offset the inequalities in local property valuations per pupil within the state. In fact, some would despair of solving the problem short of full-state assumption of all K-12 costs which is the most drastic solution to the ancient problem. So far we have stated nothing new. Unfortunately, most of the studies of wealth inequality done in the U.S.A. are static in nature; that is, they are done at one point in time. The more important notion we think is the dynamic nature of these property valuations. If the disparity is not growing very much with the passage of time, then larger amounts of state funding will not be needed to offset the differences. However, if the state is so unfortunate as to have a growing disparity with the passage of time, then more and more state funds are needed just to stay even. It is somewhat like a runner on a treadmill. The faster the treadmill speeds up, the faster the runner has to go just to stay in the same place. Regrettably, we think Illinois is on a treadmill which is speeding up.

The evidence can be seen in the attached two graphs. For both unit districts and elementary districts the disparity in assessed valuations per pupil is greater at the end of the seven-year time-period displayed than it was at the beginning of the time period. This seems especially so for unit districts. High school districts, however, do not seem to display this increasing disparity in local district wealth. This may have to do with the fact that high school districts are located primarily in the northern part of the state.

We are only in the first stage of an analysis of these longitudinal and geographical disparities in Illinois, and promise much more on this subject later. However, an obvious possibility jumps to mind. It is very likely that the increasing disparity in property valuations is a reflection of two forces that have been taking place simultaneously or nearly simultaneously. The great increase in property valuation taking place in the collar counties surrounding Chicago is a function both of speculation on residential valuations and a function of the development of commercial and industrial valuation in the "high tech" corridor that has developed in the northeastern part of the state. Unfortunately, as the "high tech" corridor developed in the northeast, the farm valuations either dropped or remained stable in the central and southern parts of the state. With these two forces working in opposite directions, the disparity in school district wealth was bound to increase. If the state had been able to step in with much larger amounts of state aid, possibly the educational equity problem would not have grown worse. But, this was not possible for a number of reasons, many of which relate to the general stagnating of Illinois' economy of the 1970's and early 1980's. The result is an equity problem which everyone admits is bad, but which few also realize is growing worse at an accelerating rate. Thus, time is definitely not on the side of the state government. The longer the state waits to attack the equity problem, the more it is going to cost. It is much like a disease: either treat it now or pay a much greater cost for ignoring the problem.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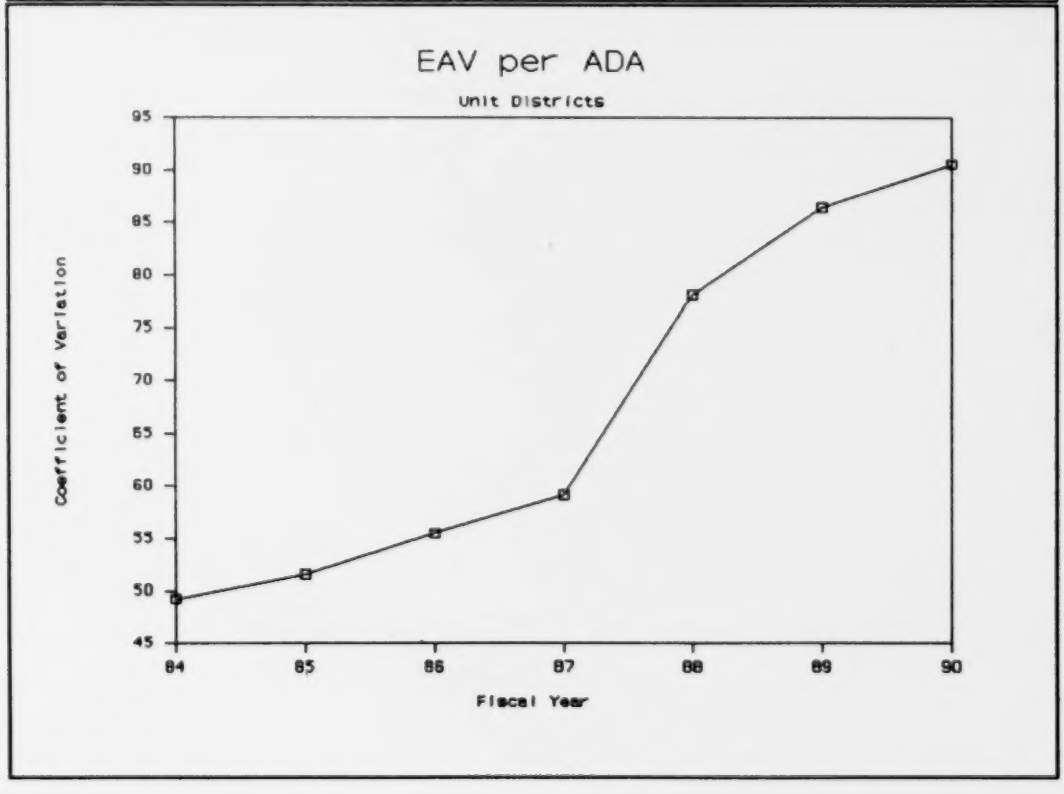
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TESTIMONY TO THE
VOICE OF THE PRAIRIE CONFERENCE
In Galesburg, Illinois
October 28, 1989
by
David L. Franklin

Although school finance litigation around the country appears to be relatively new--at least as far as media exposure of what is occurring in other states and in Illinois is concerned--it should be recognized that such litigation has existed for three-quarters of a century. In 1912, the Supreme Court of the State of Maine issued a ruling upholding a system that provided state aid amounting to one-third of the per pupil expenditures in the public school districts in that state and local taxes amounting to two-thirds of the per pupil expenditures, with the wealthy districts benefiting more than the poor districts. The Court held this system did not violate the Maine Constitution.[1] Historically, therefore, we have a three-quarters of a century history in this area of school finance.

Skipping 60 years of school finance litigation history, we may progress directly to Serrano in 1971.[2] Serrano was a new litigation approach. Serrano argued the Equal Protection Clause of the Fourteenth Amendment of the United States Constitution, and the California Constitution. The Serrano argument involving the United States Constitution was eventually defeated by the United State Supreme Court in a five-to-four ruling in 1973, in the classic Rodriguez case, but the Serrano case persisted and eventually was won based upon the language of the Constitution of the State of California.[3] The fundamental conclusion that we can draw from Rodriguez is that, if we intend to bring a judicial challenge--whatever form that challenge might take--to the current system of financing public education in the State of Illinois, it will be an Illinois court case. For all practical purposes, the federal courts have closed their doors to us. Realistically, it would be improbable to expect the U. S. Supreme Court to reverse itself less than twenty years after its ruling in Rodriguez.

Inasmuch as we have had 26 separate states involved in such litigation, and inasmuch as several key issues have evolved since the first Serrano decision in 1971, there are at least two very important points for us to look at in Illinois. The cases in all other states have had these two critical points of focus. One was the impact of the education article of each individual state's constitution. In several cases, although not in the recent cases in Kentucky and Texas, the second focus was the equal protection clause in that state's constitution.

To date, what has evolved in the 14 cases in which the state's school finance system was upheld, as well as in the 12 cases in which the state's school finance system was overturned, is a clear trend that the decisions pivot primarily on the questions: "What is the educational mandate, if any, in that state's constitution?" and, "How does the equal protection clause impact that mandate?"

Exhibits 1 and 2 present a brief summary of the education clauses of the constitutions in those states which have experienced school finance system challenges in state courts.

Exhibit 1: STATE SCHOOL FINANCE SYSTEMS UPHELD IN JUDICIAL ACTIONS

State	Original Case Name	State Education Clause	Equal Protection Test
Arizona	Shofstall v. Hollins (1973)	"The legislature shall provide for a system* of common schools by which a free school shall be established and maintained in every school district for at least six months in each year. . ."	*Minimal standard*
Michigan	Milliken v. Green (1973)	"The legislature shall maintain and support a system of free public elementary and secondary schools as defined by law . . ."	*Minimal standard*
Idaho	Thompson v. Egleking (1975)	"It shall be the duty of the legislature of Idaho to establish and maintain a general, uniform and thorough system of public free common schools."	*Minimal standard*
Oregon	Olsen v. Oregon (1979)	"The Legislature Assembly shall provide by law for the establishment of a uniform and system of common schools."	*Minimal standard*
Pennsylvania	Danson v. Casey (1979) & (1987)	"The General Assembly shall provide for the maintenance of a thorough and efficient system of public education to serve the needs of the Commonwealth"	*Minimal standard*
Ohio	Board of Education v. Walter (1979)	"The General Assembly shall make such provisions, by taxation, or otherwise, as, with the income arising from the school trust fund, will secure a thorough and efficient system of common schools throughout the state. . ."	*Minimal standard*
Georgia	Thomas v. McDaniels (1981)	"The provision of an adequate education for the citizens shall be a primary obligation of the state of Georgia, the expense of which shall be provided by taxation."	*Minimal standard*
Colorado	Lujan v. State Board of Education (1982)	"The General Assembly shall as soon as practicable, provide for the establishment and maintenance of a thorough and uniform system of free public schools throughout the state."	*Minimal standard*
New York	Board of Education v. Nyquist (1982) & (1987)	"The Legislature shall provide for the maintenance and support of a system of free common schools wherein all the children of the state may be educated."	*Minimal standard*

Exhibit 1: STATE SCHOOL FINANCE SYSTEMS UPHELD IN JUDICIAL ACTIONS

State	Original Case Name	State Education Clause	Equal Protection Test
Maryland	Hornbeck v. Somerset County Board of Education (1983)	"The General Assembly. . . shall by Law establish throughout the state a thorough and efficient system of Free Public Schools; and shall provide by taxation, or otherwise, for their maintenance."	*Minimal standard*
Oklahoma	Fair School v. State (1987)	"Provisions shall be made for the establishment and maintenance of a system of public schools, which shall be open to all children of the state. . . "	*Minimal standard*
North Carolina	Britt v. State Board (1987)	"The people have a right to the privilege of education, and it is the duty of the State to guard and maintain that right. The General Assembly shall provide a general and uniform system of free public schools. . . wherein equal opportunity shall be provided for all students."	*Minimal standard*
Louisiana	School Board v. Louisiana State Board (1987) & (1988)	"The Legislature shall appropriate funds sufficient to insure a minimum foundation program of education . . . The funds appropriated shall be equitably allocated. . . by the State Board . . .and approved by the legislature prior to making the appropriation."	*Minimal standard*
South Carolina	Richland v. Campbell (1988)	"The General Assembly shall provide for the maintenance and support of a system of free public schools . . ."	*Minimal standard*

Plus Repeat Litigation Upholding Systems in California (1986) and Wisconsin (1989).

*Emphasis added to highlight language contained in the Constitution of Illinois

Exhibit 2. STATE SCHOOL FINANCE SYSTEMS OVERTURNED IN JUDICIAL ACTIONS

State	Original Case Name	State Education Clause	Equal Protection Test
New Jersey	Robinson v. Cahill (1973)	"The legislature shall provide for the maintenance and support of a thorough and efficient system" of free public schools. . ."	*Strict scrutiny*
Kansas	Knowles v. State Board of Education (1976)	"The legislature shall provide for intellectual, educational, vocational, and scientific improvement,by establishing and maintaining public schools. . ."	*Strict scrutiny*
Wisconsin	Buse v. Smith (1976)	"The legislature shall provide by law for the establishment of district schools, which shall be as nearly uniform as practicable; and such schools shall be free and without charge for tuition for all children between the ages of four and twenty years. . ."	*Strict scrutiny*
	Note: Upheld in Kukor v. Grover (1989).		
California	Serrano v. Priest (1971) & (1977)	"The legislature shall provide for a system of common schools by which a a free school shall be kept up and supported in each district at least six months in every year. . . "	*Strict scrutiny*
	Note: Upheld in Serrano v. Priest (1986)		
Connecticut	Horton v. Meskill (1977)	"There shall always be free public elementary and secondary schools in the state."	*Strict scrutiny*
Washington	Seattle School-District No. 2 of King County v. State (1978)	"The legislature shall provide for a general and uniform system of public schools."	*Strict scrutiny*
West Virginia	Pauley v. Kelly (1979) & (1988)	"The legislature shall provide by general law, for a thorough and efficient system of free schools."	*Strict scrutiny*
Wyoming	Washakie County School District No. 1 v. Herschler (1980)	"The legislature shall provide for the establishment and maintenance of a complete and uniform system of public instruction, embracing free elementary schools of every needed kindergarten and grade. . ."	*Strict scrutiny*

Exhibit 2. STATE SCHOOL FINANCE SYSTEMS OVERTURNED IN JUDICIAL ACTIONS

State	Original Case Name	State Education Clause	Equal Protection Test
Arkansas	Dupree v. Alma School District No. 30 (1983)	"Intelligence and virtue being the safeguards of liberty and the bulwark of a free and good government, the State shall ever maintain a general, suitable and efficient system of free schools and shall adopt all suitable means to secure to the people the advantages and opportunities of education. The specific intention of this amendment is to authorize that in addition to existing constitutional or statutory provisions the General Assembly and/or public school districts may spend public funds for the education of persons over twenty-one (21) years of age and under six (6) years of age, as may be provided by law and no other interpretation shall be given to it."	*Rational relationship*
Montana	Helena School District v. State (1989)	". . .goal. . .a system of education which will develop the full educational potential of each person. Equality of educational opportunity is guaranteed to each person in the state. . .The legislature shall provide a basic system of free quality public elementary and secondary schools . . .It shall fund and distribute in an equitable manner to the school districts the state's share of the cost of the basic elementary and secondary school system."	*None (Constitutional language and history of Education Article)*
Kentucky	Rose v. The Council (1989)	"The General Assembly shall, by appropriate legislation, provide for an efficient system of common schools throughout the state."	*None (Constitutional language and history of Education Article)*
Texas	Edgewood v. Kirby (1989)	"A general diffusion of knowledge being essential to the preservation of the liberties and rights of the people, it shall be the duty of the Legislature of the State to establish and make suitable provision for the support and maintenance of an efficient system of public free schools."	*None (Constitutional language and history of Education Article)*

*Emphasis added to highlight language contained in the Constitution of Illinois

Exhibit I presents the 14 cases in which the state school finance system was upheld. There is one variable that has maintained consistency throughout these cases. That variable is whether or not a court has decided that education is a fundamental right guaranteed by either the language or the legislative intent of the education article in each of those states. If a state constitution says that education is a fundamental right, the equal protection of the law provision of that state's constitution may be used as a vehicle to force the state to recognize that constitutional right.

If, however, you draw the conclusion that education is not a fundamental right under the language of the state's constitution, then all the state is basically required to do is to show that it has a reasonable or rational relationship for the way it funds its schools. Without going into technicalities, when the latter has been said, a state has a very easily-addressed burden of proof. This "minimal standard" test of a state's equal protection clause basically asks whether or not the legislation creating a school finance system is reasonably or rationally related to a legitimate state interest or purpose. Although the system must be reasonable and not arbitrary, the general rule is that the state-created system is presumed to be valid and, therefore, constitutional. In these 14 cases, one of the issues that the states have argued with a great deal of success is the preservation of local control as having a rational relationship to the state's system of financing public schools.

Exhibit 2 provides the language in the 12 cases where the school finance systems were overturned. These include the California case which was originally overturned; the school finance system was modified by the General Assembly; and, eventually, was found to meet the California Constitutional mandate. The same sequence of events occurred in Wisconsin.

The experience of California also indicates that if you achieve success in the first attempt, you must get the General Assembly to respond in some manner, but if you do not believe that response is adequate to meet the constitutional mandate, you sue again, and you continue until you get the response which meets the constitutional requirement. To win, you must overturn the school finance system. California succeeded in gaining a constitutional system, but only after three suits on the issue.[4]

It is possible to compare the language in the cases that were overturned and in those that were upheld with the language in the Illinois Constitution. There are no significant differences. It is just that simple. We cannot "hang our hats" on the exact language used in Article X of the Illinois Constitution.

The only common characteristic that separates the 14 "losers" from the 12 "winners" is that, in 12 cases, the courts overturned the system based either upon the exact language of the constitution or based upon the legislative intent of the framers of the language. In the case of Kentucky, the constitution of that state has been in effect for over 100 years, and, apparently, there was strong education language in the constitutional convention that preceded the adoption of the Kentucky constitution in the summer of 1880. The Kentucky Supreme Court reasoned that the constitutional language must be taken in the context of what the framers of the constitution meant.[5]

Texas was more subtle. There the court said, "On its face," the constitution makes education a fundamental right.[6] When that is said, the court's analysis of the application of legal protection is commonly called the "strict scrutiny" test. The "strict scrutiny" test requires the state to show a compelling interest, rather than a reasonable interest, in preserving the school finance system. In this test, the state has the burden of proof in showing that the challenged system does meet the constitutional mandate

that education is a fundamental right. Put very simply, that means that the state has a horrendous burden to prove that its school finance system meets constitutional mandates. It is a very difficult standard of proof to meet in a judicial proceeding.

Two characteristics that join the 14 cases in which the school finance system was upheld and the 12 states in which it was overturned are: (1) every case had the standard Serrano scenario; that is, high reliance on local property tax, higher tax effort in the low-wealth districts, higher expenditures per pupil based upon the district wealth, differences in pupil-teacher ratios between poor districts and wealthy districts; and, (2) demonstrable differences in teacher salaries, access to educational support personnel, incidence of special needs students, the state of the physical plant, etc. Both the winners and the losers shared these characteristics.

Even though, in the first ten cases listed in Exhibit 2, the courts used the strict scrutiny standard, in the Kentucky and Texas cases--which are radical departures from the previous 24--the courts simply did not go into the equal protection clause. On its face, the educational clauses in Kentucky and Texas supported the plaintiffs' claims that the systems did not meet constitutional standards.

Given the language we have just examined, we may now look at the Illinois Constitution in Exhibit 3. In the education article of the Illinois Constitution, a fundamental goal of the people in the State of Illinois is the "educational development of all persons to the limits of their capacities." In addition: "The state shall provide for an efficient system of high quality public educational institutions and services..." (Emphasis added) Education must be "free" and the state has the option of providing education other than K-12 at its own discretion or judgment.

If, we can convince the Illinois Supreme Court to interpret this constitutional language as guaranteeing education to students; i.e. making education a fundamental right for every child in every public school in every school district in the State of Illinois, we will surely overturn the present state school finance system. If we cannot, the chances of being able to utilize the due process clause from Article I, Section 2, of the Illinois Constitution is probably near zero. (See Exhibit 3.)

Only the final sentence contained in Article X, Section 1, of the Illinois Constitution has been subject to an Illinois Supreme Court interpretation. The outcome in this case is notorious and/or infamous, depending upon your point-of-view. In Blase, the Illinois Supreme Court ruled that the statement, "The state has the primary responsibility for financing the system of public education," did not mandate the state to provide at least 50% or more of the cost of educating kids in our public schools. The court said this was not a specific command to the state; it was philosophical; it was a goal toward which the state should be working. However, the state has done a very, very poor job of working toward that goal. When the Constitution of 1970 became effective, the state was providing approximately 48 cents out of every dollar spent per pupil in the state; now the state is providing less than 38 cents. In roughly 18 years, there has been a chronic decline in the amount of assistance received by school districts in terms of expenditures per pupil. If this is a "goal" of the State of Illinois, the state has an abysmal record of meeting this goal.

Without going into technicalities, the original constitutional study conducted by several of us at the Center for the Study of Educational Finance at Illinois State University concluded that there are four characteristics which are probably necessary criteria if there is to be a successful piece of school finance litigation based upon the Illinois Constitution. (See Exhibit 4.)

Exhibit 3. THE CONSTITUTION OF THE STATE OF ILLINOIS

Article X: Education

Section I. Goal--Free Schools

A fundamental goal of the people of the State is the educational development of all persons to the limits of their capacities.

The State shall provide for an efficient system of high quality public education institutions and services. Education in public schools through the secondary level shall be free. There may be such other free education as the General Assembly provides by law.

The State has the primary responsibility for financing the system of public education

Article I: Bill of Rights

Section 2. Due Process and Equal Protection

No person shall be deprived of life, liberty, or property without due process or be denied the equal protection of the laws.

Exhibit 4. PROBABLE CRITERIA TO BE MET IN A CONSTITUTIONAL CHALLENGE IN ILLINOIS

Twenty-four Equity Cases

1. Education must be concluded by the courts to be a fundamental interest or fundamental right guaranteed by the state constitution.

2. The education article must require qualitative demands and affirmative duty by the legislature.

3. The strict scrutiny level of constitutional analysis must be used by the court and/or a suspect classification must be found under a state's equal protection of law guarantees.

4. The general level of funding in the state must be found to be inadequate or, at least, the level of funding of the plaintiff districts must be found to be inadequate.

Two New Cases: New Alternatives

1. **Adequacy** (Kentucky)
2. **Efficiency** (Texas)

First, the 26 cases lead us to believe that education must be determined by the courts to be a fundamental interest or fundamental right guaranteed by the state constitution. This will not be easy. The 26 prior cases do not demonstrate significant differences in the constitutional language of the 14 states in which the system was upheld and the language of the 12 states where the system was overturned. Nor does there appear to be a significant difference between the language in those cases and the language in the Illinois Constitution. Proving that education is a fundamental right in Illinois is not a foregone conclusion. It will be a difficult struggle at best.

Second, the educational article must require qualitative demands and an affirmative duty on the part of the legislature to do something about the violation of "education as a fundamental right.". The General Assembly must be recognized as having a duty to correct the present inequities in the school finance system.

Third, the strict scrutiny level of constitutional analysis must be used by the court and/or a suspect class must be found under the state's equal protection of the law guarantee. If not a suspect class, at least an individual. (Remember, Serrano began with one man and one student in California, and started the modern movement of litigation in this area.)

Finally, the general level of funding in the state must be found to be inadequate or, at the very least, the level of funding in a plaintiff's district. If you assume that there may be a class action, which is only one option, then the level of funding in multiple districts must be found to be inadequate. Again, that is no easy task.

One of the changes that has occurred recently is that the first 24 cases were all based on equity. Using only these cases as models, one would go into a court of law and argue equity principals. For example, going away from reliance on local wealth and going into wealth neutrality, you would argue that the wealth of the state is all that matters and not the wealth of a local school district.

Kentucky provides us with a possible new legal approach. Kentucky simply said the system was "inadequate." This is one new line of legal reasoning in a case that has been won which might be utilized in Illinois. Arguing for "efficiency," Texas has provided us with a second new line of reasoning. I remind you that the term "efficiency" is in the Illinois Constitution. We are not quite sure what it means, exactly, but it is there.

Parenthetically, I would also suggest that there is absolutely no evidence that there has been any great loss of local control in any of the 12 states where the school finance system was overturned. In fact, there is some evidence to indicate that there was an increase in local control in those states, because, if nothing else, they received more money to use for the education of their kids. In my opinion, that adds to local control. Considering the degree of control of local public school district in Illinois today that is vested in the Regional Superintendent of Schools, in the State Board of Education, in the Illinois General Assembly, and even in the Federal Government, I do not believe that a school finance system in Illinois that would significantly reduce financial inequities, increase adequacy, and enhance efficiency would pose the slightest threat to local control in our state. I believe local control will be strengthened, rather than diminished, by a successful constitutional challenge to the current system of financing Illinois public education.

REFERENCES

[1]Sawyer v. Gilmore, 109 Me 169, 83 Atl. 673 (1912).

[2]Serrano v. Priest, 5 Cal.3d 584, 584 P.2d 1241 (1971).

[3]San Antonio Independent School District v. Rodriguez, 411 U.S. 1, 93 S.Ct. 1278, rehearing denied, 411 U.S. 959, 93 S.Ct. 1919 (1973).

[4]Serrano v. Priest, 5 Cal.3d 584, 584 P.2d 1241 (1971); 135 Cal. Rptr. 435 (1976); and 226 Cal. Rptr. 584 (1986).

[5]Rose v. The Council for Better Education, No. 88-SC-804-TG, Supreme Court of Kentucky, June 8, 1989.

[6]Edgewood Independent School District v. Kirby, No. C-8353, Supreme Court of Texas, October 2, 1989.

[7]Blase v. State of Illinois, 55 Ill.2d 94, 302 N.E.2d 46 (1973).

[8]Franklin, David L., et al. The Constitutionality of the K-12 Funding System in Illinois. Normal, IL: Center for the Study of Educational Finance, Illinois State University, May 1987.

ENDING SCHOOL FUNDING INEQUALITIES: CONFRONTING A MORAL IMPERATIVE

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The Moral Imperative in Illinois School Finance

Michael S. Katz, a scholar of educational policy in the United States, has posed the basic questions we now confront: "Do people have a right to education? If so, what is it that they are entitled to?" (Katz, 1982, 193). In American society we recognize that education is a fundamental responsibility of the state and we have achieved some degree of consensus on the purposes of education: (1) political participation, (2) economic productivity, (3) and social well-being. It serves us well to return to organic laws in reflecting on the basic responsibilities and authority over the state over public functions like education. In fact, I would argue that our organic laws--the Federal Constitution and the fifty state constitutions--represent a moral imperative that should guide our action.

The Illinois Constitution of 1970 treats the issue of education in Article X. In Section 1 of Article X, entitled "Goal--Free Schools", the basic goals of the state system of education are enumerated:

1. The educational development of all persons to the limits of their abilities;
2. An efficient system of high quality public educational institutions and services;
3. Free public schools through the secondary level; and
4. The state having the primary responsibility for financing the system of public education.

We are reminded by the courts that these are not absolute mandates on the General Assembly, but that they are goals. Constitutional goals are not mandates, but neither are they to be ignored. If goals are not being met, and I submit to you that the state of Illinois is a very long ways from meeting these goals, then we must establish a clear plan to accomplish these goals within a stated time period. If we do not do this, these goals become meaningless. This is the

moral imperative under which we operate. If the "fundamental goals" articulated in Article X of the Illinois Constitution have any meaning, then that meaning must be that they are goals toward which we should see reasonable progress. However, this moral imperative must be translated into action.

The Factual Base for the Argument

Let's consider for a moment some facts on the progress, or lack of progress, our state education system has made toward these goals. For unit school districts in the state, revenue per weighted pupil for 1989-90, the current school year, ranges from $2356 to $8286, with a mean of $3189. The median unit school district has revenue per weighted pupil of $2766, indicating that the distribution of revenue per weighted pupil is skewed toward the bottom. Another way of saying this is that a few very high revenue districts bring the mean up over $3000, but that half of all unit districts in the state have $2766 or less to spend per weighted pupil.

The unit districts with the highest revenue per pupil available, those with more than $3823 per weighted pupil have an operating property tax rate of 16% below that of the unit districts with revenue available of below $2554 per weighted pupil. Our current system allows wealthier school districts to spend more with less effort, hardly anyone's definition of equal treatment.

There are those who would argue that dollars do not make a difference in educational quality. However, I would refer to the Texas Supreme Court decision in *Edgewood v. Kirby* (October 2, 1989) where the court said:

> The amount of money spent on a child's education has a real and meaningful impact on the educational opportunity offered that student. High-wealth districts are able to provide for their students broader educational experiences including more extensive curricula, more up-to-date technological equipment, better libraries and library personnel, teacher aides, counseling services, lower student-teacher ratios, better facilities, parental involvement programs, and drop-out prevention programs. They are also better able to attract and retain experienced teachers and administrators. (p.4)

Revenue available to a school district does translate into quality, but the match is not necessarily on a one to one ratio.

Revenue disparities exist, as well, for elementary and high school districts. In 1989-90, the revenue per weighted pupil in elementary districts range from $1495 to $9509 with a mean of $3427 and a median of $2914. The wealthiest elementary districts do have an operating tax rate 17% higher than the poorest districts. The revenue per weighted pupil for high school districts ranges from $2552 to $9092, with a mean of $4530 and a median of $3683. Among high school districts, the wealthiest have an operating tax rate only 38% higher than the poorest.

A clear conclusion from these data and information is that revenue does make a difference in quality of education, that significant disparities exist in Illinois in revenues available, and that these disparities exist not only for reasons of disparities in wealth, but also because many districts do not make a sufficient effort through local taxation.

Some Political Issues

Any action toward erasing revenue disparities and differences in quality are inexorably entwined with a number of political issues. In 1985 and 1986 we fought the "great school consolidation wars" in Illinois with many apparent winners and the public schools as the loser. We still have over 960 public school districts in Illinois, with many too small to offer high quality educational services and to function efficiently. The sheer number of separate districts makes state equalization efforts extremely difficult, if not practically impossible. We cannot solve the school finance problems of the state without addressing school district consolidation and reorganization issues as well. That simply is an issue that cannot continue to be swept under the rug and ignored. We are all familiar with the mentality that says, "save the small school district whatever the costs." I can assure you the costs will be high, both economically and educationally, and the steady march of social forces will most likely mean that the small district will not be saved in the long run.

Property tax relief is much in the news these days. There is public clamor for reduced levels of property taxation and the schools bear much of the burden of the dissatisfaction. The fact of the

matter is that property tax levels are probably too high in many jurisdictions, but many communities have property tax levels too low to support an adequate level of public services. The Republican plan that passed the Illinois House in the fall of 1989 would relieve the property tax burdens of homeowners across the state, in both high tax and low tax jurisdictions, by increasing the general homestead exemption and the senior citizens homestead exemptions. The total cost to public schools would be a revenue loss of over $209 million. After adding $466 million in much needed new revenue to schools for 1989-90, the state is now proposing to take away almost half of that with no prospects of replacing it. If the state wants to provide property tax relief it should do it out of state dollars, not local revenue. The current proposal is bad tax policy, bad education policy, and political cowardice at its worst.

The issue of "local control" of education is another politically volatile topic. The real question is whether there is really any such thing as local control, or whether it is merely a symbolic genuflection to a past era. As the courts in Texas and other places have pointed out, there is no local control if resource levels are so low that a local district has essentially no choices to make. Many Illinois school districts are so constrained in their finances that they exercise little discretion in how those resources are used. This precludes any semblance of local control. Furthermore, state regulatory mandates preclude whatever local discretion might otherwise exist. We do not now have local control in Illinois school districts, and to invoke this symbol as a way of opposing change is sophistry. However, we might want to explore methods to increase local discretion in educational decision-making.

School Finance Policy Alternatives

Illinois now has a general state aid formula that is basically a foundation formula, with a flat grant available for very wealthy districts and a bridge formula, the "alternate method", for districts that fall between the foundation formula and the flat grant. As we have seen, it is not doing its job to equalize resources among districts and to ensure a high level of quality educational services and institutions. Would another formula work better? In the 1970s we employed a guaranteed tax base formula that rewarded high tax effort. The evidence is clear that the formula type is less important in achieving student and taxpayer equity than the level of state funding. Adequacy and equity move together, dancing side by side to

the same fiscal tune. Other formula types such as percentage equalizing formulas or district power equalizations plans frankly offer no more promise for equity than our current set of formulas.

Professor Henry C. Morrison of the University of Chicago confronted this same set of issues in the late 1920s. In his book, *School Revenue* (Morrison, 1930), he concluded that (1) current equalization systems are not achieving their goals, (2) education is a state function and a state responsibility, and (3) the only reasonable way of achieving equity in funding and equal educational opportunity is to institute a system of full state funding of schools.

Conditions and circumstances have not changed a great deal in this regard since 1930 and Morrison's conclusions are as pertinent today as they were when they were first written almost sixty years ago. In fact, another University of Chicago reseacher and scholar of school finance, J. Alan Thomas, advanced a set of proposals very similar to those I want to discuss over twenty years ago (Thomas, 1968). What I want to present now is the outline of a full state funding plan for Illinois.

Full State Funding for Illinois Public Schools

Estimated state and local funding for public elementary and secondary schools in Illinois for 1989-90 total about $7.8 billion, of which $3.4 billion is from state appropriations. In its basic concept, a full state funding program would require that all the $7.8 billion would come from state appropriations. The funds would come from general state revenue sources, including state income taxes, state sales taxes, net lottery proceeds, and a new state uniform real property tax that would be instituted to replace the local real property tax for public schools that would no longer be required. The statewide property tax rate would be set by the General Assembly annually to augment other state revenues. The immediate impact would be that property taxes in high tax rate jurisdictions would decrease and taxes in low tax rate areas would increase, greatly enhancing taxpayer equity in the state. A variation on this aspect would be to allow local school jurisdictions to retain a local discretionary property tax within a very narrow rate range band. An interesting alternative would be to not allow the local school district to retain the revenue so raised, but to use the locally set tax rate to drive a guaranteed tax base state distribution to the local district as a reward for effort supplement.

The basic state appropriation would be distributed to all local school districts on an equal weighted pupil basis. The present categorical aid programs could be eliminated and replaced by a weighted pupil system to respond to differential pupil need. This would simplify the technical aspects of the state aid system and respond to both student horizontal equity and student vertical equity. As a result, the amount of resources available per pupil would be equalized throughout the state on a rational basis. If the state so desired, educational cost differentials could be built into the system.

An integral part of this full state funding system, as I propose it, would also require an elimination of many present state mandates and regulations for local districts. The state's responsibility would be to establish statewide goals for education and to ensure a uniform and high level of educational quality throughout the state. This could take the form of a statewide, common curriculum based on the philosophy of "what is good for your kid is good for my kid and vice versa." Part of this would be a reasonable accountability system to provide evidence to the public that school districts are, in fact, meeting the state goals. One way to view this is that the state sets the curriculum and instructional and operational decisions are made at the local level. This combination of state funding and local decision-making would enhance local control and allow local district to "level the playing field" and have the opportunity to experiment and innovate in how best to improve teaching and learning. It would provide local districts with the resources and freedom to be creative and to find new ways to accomplish their mission.

This proposal does not directly address the problem of school district organization in the state. However, it does eliminate many of the barriers to consolidation and allows local communities to make decisions about school district organization on a more rational basis. It should be noted, nonetheless, that the state mandated curriculum and state goals may make it very difficult for some very small districts to remain small and still meet state goals. In such instances, decisions about consolidation would be driven by educational concerns and not financial incentives or disincentives.

One criticism of such an approach is that elementary and secondary schools become very dependent on "Springfield" for their

funding. That observation is true and that is where the responsibility should lie. Education is a state function and a state responsibility and if the state is to live up to its moral imperative in providing education, it must act in a responsible manner and take its duty seriously. If the state is to fail, it must fail the state as a whole and not allow a few privileged districts to compensate for the state's failure and force the rest to suffer without recourse.

Others criticize full state funding and other effective equalization plans arguing, "don't take away what we have built and don't punish us to help others." Equality of opportunity is not punishment. What is being taken away is the opportunity of some districts to engage in the pursuit of privilege and the perpetuation of social inequality.

Current differences among districts based on rational differences in preferences or style would remain as districts retain discretion in organizing for the provision of educational services and in allocating resources within the district. Local communities should and will be able to exercise broad discretion in those kinds of decisions.

Poor pupil performance would seem to result from at least three sources:

1. Inadequate programs, staff, and facilities resulting from a lack of adequate resources.
2. Poor management of resources available, often because of the inability to employ high quality administrators and instructional staff.
3. The effects of poverty on children from poor families.

A full state funding program should provide considerable progress on eliminating the first cause of poor pupil performance and should, as well, help to attack the second. It will leave the third cause for local districts to concentrate on and attempt to alleviate through adequate funding provided by a state funded program using weighted pupil counts to allocate money on the basis of educational need.

A Return to the Moral Imperative

What has been presented here is a reform proposal of substantial magnitude and one that many may find distasteful. However, it is made in the spirit of progress and in the recognition

that we do have a moral imperative to meet and we are now a long way from meeting it. Other reform proposals do not do the job and leave us as far away from our constitutional articulated goals as we are now. If there are other ways to meet the requirements of our constitution, please present them now. This proposal is a challenge to take risks. It is also a challenge to do right.

The choice now open to you is what we as a people will do. School finance and public education in Illinois are in crisis. That crisis cannot continue forever. We must build a solution that allows all of our children, not just those in privileged communities, to be fully politically participative, to be economically productive, and to be socially self-sufficient. If not now, when? If not us, who?

October 28, 1989

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JGW

COALITION FOR EDUCATIONAL RIGHTS UNDER THE CONSTITUTION
1520 East College Avenue, Suite E
Normal, IL 61761

(309) 454-8288 FAX (309)454-3252

Dear Superintendent:

This is a call to action on behalf of the children of Illinois. The time is ripe for an affirmation of the basic educational constitutional rights of the sons and daughters of this sovereign state. We must chart a right-of-way through the wilderness of financial inequity and educational injustice which our current system guarantees to those children born in the property poor school districts of our state.

Article X, Section 1, of the Constitution of the State of Illinois states that: "The State shall provide for an efficient system of high quality public educational institutions and services." Research conducted over the last three years by the Center for the Study of Educational Finance at Illinois State University and funded by the John D. and Catherine T. MacArthur Foundation and the Lyle Spencer Foundation casts very serious doubt on whether the state of Illinois has lived up to this constitutional mandate.

Since about 1976, there has been a growing disparity among Illinois school districts in terms of expenditures per pupil and the position of the state relative to other states in terms of educational services provided has declined. While the General Assembly has recently made an attempt to provide additional funds for education, the weight of the evidence still suggests that the present system of funding K-12 education may be repugnant to the constitution.

That such a situation exists in Illinois should come as no surprise since the supreme courts of 12 states in the Union have found that their K-12 funding systems did not meet their constitutional mandates. Within the space of scarcely more than a single year, groups of concerned citizens in three of these states (Montana, Kentucky, and Texas) have filed successful challenges to their state systems of funding K-12 education. In two of these states, Montana and Kentucky, the state governments, accordingly, have begun to fund their educational systems at a level nearer to what their constitutions demand. This more adequate state funding is believed, at least partially, to be a result of this litigation.

At Galesburg, Illinois, on October 28th, a group of concerned citizens met under the good auspices of the organization known as the "Voice of the Prairie." At that meeting, it was the consensus of the participants that an organization should be established in Illinois to pursue at least three goals:

1. To investigate the possibility of bringing a constitutional challenge in Illinois similar to the constitutional challenges which have been brought in Montana, Kentucky, and Texas.

2. To investigate the possibility of launching a campaign to amend the education article of the Illinois constitution to provide for a basic right to public education in the state, and to further strengthen the wording of the education article.

3. To explore the potential for a grant-in-aid system that would increase the amount of state funding relative to local funding, and that would also direct a greater flow of state funding to the less affluent districts of the state.

A Coalition for Educational Rights under the Constitution has been formed and a formal declaration, called the Declaration of Galesburg, has been written. A copy of that declaration is attached to this letter. We cordially invite you to approach your local board to see if they would be interested in joining this organization and would wish to sign the Declaration. A return post card has been enclosed for that purpose. At the present time, no financial support is requested from your board. This letter is simply a means of ascertaining state-wide interest. If it appears that sufficient interest exists among Illinois school districts, then a time and a place will be appointed for delegates and other interested parties to meet to devise a further course of action.

Admittedly, there are a very large number of educational organizations in Illinois and you might well question the need for another one. However, to date, no present educational organization has been willing to step forward and champion the constitutional rights of public school children to an adequate education, particularly the rights of children in the poorer school districts of the state. We feel that time has now arrived and this is a call to action.

Please direct your responses to:

Mr. Larry Frank, Acting Secretary
The Coalition for Educational Rights under the Constitution
1520 East College Avenue, Suite E
Normal, Illinois 61761

Cordially,

G. Alan K. W. Hickrod
Distinguished Professor of Educational
Administration and Foundations
Illinois State University
Normal, IL 61761

James D. Nowlan
Professor of Public Policy
Knox College
Galesburg, IL 61401

DECLARATION OF GALESBURG

We, the undersigned, duly elected or designated delegates of independent school districts in Illinois and such other notables as do share our convictions, do by this instrument covenant to remove unwanted and pernicious barriers to equality of educational opportunity in the sovereign State of Illinois.

Over the course of more than a decade, we have noted, with increasing concern, that levels of expenditures per pupil are becoming less equal within the state, also that expenditures per pupil are becoming more and more a function of the wealth of the local school district. We have also noted with increasing dissatisfaction the enormous inequalities in property tax bases between school districts and the great inequalities in tax burdens between school districts. Last, but far from least, we have recently noted with alarm and concern the totally unacceptable differences between test score results between school districts. We believe that these inequalities constitute major barriers to equality of educational opportunity in Illinois and, in effect, condemn the child who happens to reside in a poor school district to a distinctly inferior public education. This is a land trod by Abraham Lincoln. These conditions we cannot and we will not abide. We, therefore, authorize the following specific steps to be taken:

I. The Constitution of the State of Illinois directly enjoins the General Assembly to provide an "efficient system of high quality education." We believe the evidence of the last decade does not support a claim that the General Assembly has lived up to this direct constitutional mandate. Therefore, we authorize the existence of a Coalition for Educational Rights under the Constitution. Such a coalition is empowered to raise funds, employ attorneys-at-law, file suits-at-law, and to do whatsoever is legal and appropriate to remove the barriers to equality of educational opportunity as noted.

II. Believing that the aforesaid state of affairs might not have developed if a more rigorous wording had been present in the education article of the state constitution, we do further authorize and direct the said Coalition to conduct a campaign to amend the present Illinois constitution. The purpose of this constitutional amendment campaign will be to replace the current education article with one which will assure each and every child in the state of a basic right to a high quality public education.

III. Since the problem of attaining equality of educational opportunity appears to be greatly aggravated by differences in property valuations between school districts, we encourage the development of revenue systems for public education that would raise more funds from state tax instruments and less funds from the local property tax.

IV. It is also apparent that the most serious educational problems appear in poor school districts, not in more affluent school districts. Therefore, we encourage the development of grant-in-aid systems which will deliver more assistance, either in kind or in cash, to the poorer districts of the state. We especially encourage the development and deployment of educational techniques which will raise the deplorable level of test scores in some parts of the state.

We take these actions in the belief that the State of Illinois cannot and will not compete successfully with other states without adequate and timely investment in the human capital of the state. Further, we believe that the Republic, itself, cannot and will not prosper without an increased investment in its school children. Democracies are fragile instrumentalities at best, but an ignorant democracy is a contradiction in terms. Two hundred years ago, a noble and courageous French people stormed the Bastille to defend Equality, Liberty, and Fraternity. The spirit of that act we do evoke, but its excesses we intend to avoid through education and wisdom.

Done at historic Knox College in the city of Galesburg on this, the____day of_____ in the year of our Lord, 1989.

SECTION THREE

TESTIMONY REGARDING THE STATEWIDE STRUCTURE OF HIGHER EDUCATION IN ILLINOIS

Presented before the Committee on Scope, Structure and Productivity

Edward R. Hines

Director, Center for Higher Education
Department of Educational Administration and Foundations
Illinois State University

LETTERS RELATED TO STATEWIDE STRUCTURE OF HIGHER EDUCATION

Edward R. Hines

A MEMORANDUM

G. Alan Hickrod

TESTIMONY REGARDING THE STATEWIDE STRUCTURE OF HIGHER EDUCATION IN ILLINOIS
by Edward R. Hines
September 1989

Introduction

My name is Dr. Edward R. Hines. I am Professor of Higher Educational Administration in the Department of Educational Administration and Foundations at Illinois State University. I am Director of the Center for Higher Education at Illinois State, and serve as Editor of GRAPEVINE, the monthly research report of state tax appropriations for the operating expenses of higher education, now in its 31st consecutive year of publication.

Executive Summary

In Dr. Richard Wagner's letter of July 26 regarding the work of this Committee, eight questions were highlighted in the areas of the scope, structure, and productivity of higher education in Illinois. All of these questions are of critical importance to Illinois higher education. My concern in this testimony is limited to structure, and my purpose is to reflect on the current structure for higher education in Illinois, the "system of systems," and to offer a proposal for a modest structural change to a four-system, rather than a five-system statewide structure. Clearly, there are many important higher education issues facing Illinois lawmakers, some as important or even more important than structure; this testimony is limited to statewide structure. I am giving this testimony on my own behalf, and not as a representative of Illinois State University.

My foremost request is to urge the Committee on Scope, Structure, and Productivity not to adopt either a highly centralized or a highly decentralized statewide structure for higher education. Either approach would be a fundamental, if not radical departure, from what Illinois has known in its "system of systems" statewide structure for higher education. I ask the Committee to avoid the extremes of altering the structure for higher education by recommending a single, consolidated governing board for all of higher education in the State or by recommending the total dissolution of the system of systems in favor of complete institutional autonomy by creating governing boards for each institution in the State.

There is no compelling evidence suggesting that the structural options outlined in Figure 1 attached to this report will be any advantage over the present system of systems, with one possible exception, and that is the four-system model. The Committee may wish to review the possibility of altering the present five-system arrangement by reducing the structure for higher education in the State to four systems. The following would be the principal characteristics of this four-system arrangement: the University of Illinois would remain a separate system, the Board of Governors system would be enhanced by the addition of Sangamon State University, a new doctoral degree-granting system would be created including Illinois State University, Northern Illinois University, and Southern Illinois University, and the current community college system would be retained.

Such a change incorporates an approach emphasizing economic efficiency with doctoral-granting universities (except the U of I) in one system and all other public universities in another system. This change would realign the systems into a more functional arrangement of systems and campuses; it would retain the University of Illinois as a separate system serving the principal state university; and, perhaps most important, it

would reorder the other campuses into an arrangement whereby those campuses offering advanced, higher-cost, doctoral degrees and public universities without doctoral degrees would function in two separate systems. At a time when advanced graduate education is the most expensive curricular offering in higher education, the State's interest in effecting cost savings where possible is not served by having doctoral-granting institutions in separate systems. Additionally, at a time when "mission differentiation" is being implemented by higher education systems in other states whereby campuses can evolve unique missions in order to make distinct contributions to higher education, it is critical to configure higher education so institutions can cooperate, rather than compete, with each other. One of the areas in higher education where competition is the most intense is at the graduate and advanced-program levels. Therefore, it makes sense to have one system of doctoral-granting institutions and another without doctoral programs, emphasizing undergraduate instruction. This change would effect some modest cost savings because one governing system and staff would be eliminated. However, such savings would be minimal and do not constitute a rationale for the change in structure.

The Problem

I asked to give testimony before this Committee because I believe strongly in Illinois higher education, and I am concerned about our collective future in a state where higher education has experienced a virtual decade of decline. The statistics in Table 1 tell this story. Using two-year percentages of gain in state tax appropriations for higher education, Illinois' ranking on state tax appropriations per capita and state tax appropriations per $1000 of personal income, the picture of Illinois higher education in the 1980s is one of a gradual decline from an earlier position of prominence among its peers nationally. Additional evidence concerning the decline in state support to education at all levels can be found in several recent publications by the Center for the Study of Educational Finance at ISU.

I came to Illinois from New York State a decade ago because Illinois higher education, unlike New York, had more campus authority, less state bureaucracy and intrusion, a lower level of interinstitutional conflict, and because, in general, higher education in Illinois had not been excessively overbuilt as in New York.

In Illinois higher education, however, there is growing frustration because of inadequate fiscal support from the State. The vent for this frustration increasingly has focused upon our state higher education structure, rather than with the state political leaders where it belongs. The reality in Illinois higher education is that many indicators demonstrate our inability to achieve our potential. Demographics show steadily decreasing rates of enrollment of minorities, especially Blacks. Faculty and staff compensation are not keeping up with peer institutions in other states, thus causing faculty flight from universities to more lucrative positions in other states and in private enterprises. There is a growing need to accomplish things for which reallocation may be a major means of support. Parenthetically, the respite provided by the 1989 income tax increase is temporary, and it will serve largely to make up for ground lost in previous years, but it will not enable us to get out in front where we have been in the past and should be in the future. In addition, the Board of Higher Education has indicated that the way to achieve the goals for higher education formulated in the current three-year budget plan would be through significant reallocation of resources. These realities are part of the rationale for my recommendation to realign our higher education systems in Illinois. Our frustration with these and other circumstances increasingly causes us to assume that a change in statewide structure for higher education will, by giving us a

new framework, solve or at least alleviate these other problems. In finding answers to this question of structure, we can look for evidence from within Illinois as well as examples of structural reorganization and its effects in other states.

Alternative Proposals

The most recent public debate about structure began with Albert Somit's call for a structural reorganization of Illinois' five systems into two systems, along with a separate community college system. Borrowing from California's "different mission, different system" design, Somit proposed two systems for senior institutions with one to include four "graduate universities" and the other to include the remaining eight public universities. Then ensued a series of responses by 11 university or system executives, one of the original architects of the system of systems, a secondary data analysis of Somit's original data, and rebuttals by both James Furman and Somit. In 1989, John Corbally added another perspective which was characterized by chastising State leaders for "the lack of growth in leadership in Illinois," and commenting on the beginnings of what might become enlightened leadership in the State (which led to the 1989 tax increase).

The positions taken by these educational leaders did not depart substantially from what we have known under the present system of systems. Some arguments were self-serving, improving the status of their own university; others largely defended the status quo. Indeed, the status quo in Illinois higher education is not all that bad if one concentrates on distinctive accomplishments--the State has three recognized, world-class universities (U of I, U of Chicago, Northwestern) which emerge on virtually every ranking of outstanding academic programs; the community college system in Illinois has been recognized nationally as being a model because of its sponsorship, funding, and governance as well as the way in which it serves the entire State; and unlike other states, Illinois does not have an excessively large number of public institutions with each having a full range of academic programs; in other words, the State has positioned itself in ways appropriate to a lean period of State support.

The most creative position in the series of articles in Illinois Issues was the cluster analysis of Somit's original data, showing distinct "clusters" of institutions based on the variables of student FTE enrollment, size of the state appropriations in campus operating budgets, number of Ph.D. or equivalent graduate and professional programs, and amount of external funding including federal, state, local, and private funding excepting state tax appropriations and private gifts to educational foundations.

The University of Illinois, and the University of Illinois, Chicago, were separate clusters (although Chancellor Langenberg's analysis noted that both the U of I and U of I, Chicago, were classified as "Research I" universities, using the 10 Carnegie categories). A second cluster was the Board of Governors with the addition of Sangamon State. A third cluster included Northern, ISU, and SIU-Carbondale (in the Langenberg analysis, SIUC is a "Research II" university, Northern Illinois is a "Doctoral I" university, and Illinois State is a "Doctoral II" university). The differentiations between Research I and II and between Doctoral I and II deal with the magnitude of research funding and the number of doctoral programs, which is a less critical distinction than whether or not a university has doctoral programs.

By utilizing these clusters, one of the existing five systems can be eliminated, thus creating four systems. The U of I, Urbana and the U of I, Chicago, would constitute the University of Illinois system, and there would be a separate community college

system. This would effect a reduction of one entire system, but it would fall far short of Somit's alleged annual savings of $8 million if three of the current systems were eliminated.

Evidence from Other States[1]

It is useful to consider the structural reorganization now going on in other states, and to make some preliminary judgments about the impact of this reorganization. First, scholars agree that there is no ideal way to organize higher education in a state; rather, structure reflects historical development, trends, and preferences of key leaders. Second, what is critical are elements not usually included in debates about structure. These elements include the disposition of the governor and legislative leaders toward higher education generally, and toward a particular structural configuration specifically. For instance, some governors and legislative leaders prefer a single structure in which they have a major voice, while others like some "distance" between higher education and state leaders. Other important considerations include the recent experience between state government and higher education leaders. Still another factor has to do with the leadership of the state higher education agency and campus presidents.

There was a debate about statewide coordination and governance in the late 1960s and early 1970s. Since that time, four states have chosen the strong, single governing board model, including Massachusetts, Wisconsin, North Carolina, and most recently Maryland in 1988. Leaders in Maryland claim that they have a multicampus university arrangement, rather than a consolidated governing board. The Education Commission of the States has advised strengthening of existing statewide coordinaing boards, rather than major restructuring simply to achieve apparent efficiencies with a single "superboard."

West Virginia, after a major study by the Carnegie Foundation for the Advancement of Teaching, changed its higher education structure in 1989. The single governing board for higher education in West Virginia, the Board of Regents, was replaced by two new boards, two chancellors, and a single staff. One board will govern a university system and a second board will govern the four-year and two-year state colleges. A new Secretary of Education and Arts was created in the Governor's Cabinet to oversee higher education. Perhaps a single staff is an attempt to effect greater communications and coordination, and lessen competition and rancor between systems. On the other hand, a single staff working for two clearly different systems seems to suggest all kinds of internecine difficulties, as well as the problem of a single staff working for two chancellors and two boards.

The West Virginia approach is attractive for two reasons. It brings higher education into a closer relationship with the governor, not only because of how the governor selects the chief executive officer for higher education, but also because institutions are subdivided into more functional systems. These systems are structured largely according to whether or not they offer advanced graduate and professional programs. In my view, this approach to organizational structure is the most rational and defensible

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1This section draws upon Edward R. Hines. 1988. Higher Education and State Governments. ASHE-ERIC Higher Education Report No. 5. Washington, D.C.: Association for the Study of Higher Education.

in the current era of constrained budgets, the need to streamline systems and institutions, and the call for greater accountability, efficiency, and productivity. It does not appear that moves toward decentralization by weakening state-level higher education by allowing individual institutions to become stronger and more autonomous are gaining ground across the nation--other than by those institutional representatives who believe they can "do better by going it alone" in the legislature. Such aggressive actions by enterprising campuses can only serve to weaken the entire higher education establishment by substituting zero-sum game mentality for interinstitutional cooperation. These moves must be recognized for what they are and rejected.

Rather, the trend is to centralize at the state level while achieving some additional "mission differentiation" between and among systems and by individual institutions. Attaining further differentiation for individual campuses is more difficult if similar institutions remain in separate systems. If institutions with similar missions within a framework of research universities, doctoral-granting universities, universities with an undergraduate emphasis, and community colleges can be placed in the same system, then it may be possible to achieve greater economies of scale, to avoid duplication and unnecessary overlap in mission, and to begin to attain greater differentiation among campuses in mission and purpose.

Solutions for Illinois

Figure 1 identifies seven conceptually and operationally-distinct structural possibilities for Illinois higher education. They range along a continuum of centralization from a single-system model, the most centralized structure - to a decentralized structure. While both may have proponents, neither would be either an operationally or politically realistic solution for Illinois higher education. A single system model, the approach used in Wisconsin and in North Carolina, would be too constraining, and it is an unnecessarily radical departure from what has evolved in Illinois over the past 30 years. Without compelling evidence that fundamental restructuring is needed, this single-system model is not realistic, and neither is its extreme, the decentralized model where each campus has its own governing board, and all boards are coordinated by a single state-level coordinating board. Such a decentralized model likely would foster extreme competition, discourage cooperation, and provide neither a check nor a balance to the coordinating board.

The possibilities, other than the extremes, include five structures. These include the present system-of-systems, which is identified as the "five-system model." Another model includes a variation not mentioned before in any of the public discussions. This is a geographically-based three or four system model, depending on whether community colleges are separate from or integrated with senior systems. These "Universities" of Northern Illinois, Central Illinois, and Southern Illinois have a symmetry because of their geographical dispersion. But, at a time when delivery of higher education services must encompass a statewide perspective, an intrastate regional subdivision offers little advantage. If anything, geographically-based institutions would likely become more, not less, fragmented from each other. In an increasingly interdependent age, a geographically-based system is probably "an idea whose time is gone." The benefits to the entire state from individual systems and institutions are so great that the relevant frame of reference is the state as a whole, not some lesser geographic area.

Therefore, we are left with three realistic alternative solutions--a more centralized two-tiered model (senior and community colleges), a three-system model which is the model proposed by Somit, and a four-system model which is what is advocated in this paper.

The two-tiered system separates senior from two-year institutions. In Illinois, the differences and distinctions are too great between and among senior universities to think seriously about configuring these institutions into a two-tiered model. A more realistic choice is between a three-system and a four-system approach. The following operating assumptions are made (not in order of priority):

* Community colleges should remain in a separate system.

* There should be a separate University of Illinois system.

* The state universities, other than the University of Illinois, should be organized in a functional arrangement which aggregates campuses having similar programs by level in the same system.

* There should be fewer than five systems, including community colleges.

These four operating assumptions underlie this proposal. There are additional characteristics in Illinois which argue for a four-system configuration: understanding the political culture in Illinois; attempting to be minimally disruptive of existing systems and institutions; considering where realignment may enhance services, and not duplicate existing programs; fostering cooperation among institutions; and anticipating a future where State resources for higher education may be limited.

In a State which has maintained a principal state university, considering that the University of Illinois has risen to national and international prominence, it makes sense to continue that University in a separate system. The program configuration at the University of Illinois and the amount and degree of research funding make it a distinctive national and indeed international institution; it should not be in a system with other universities. Neither should Northern or Southern join the University of Illinois or stand alone in separate systems. The time is ripe for greater interinstitutional cooperation, for creating ways to avoid program duplication, for making difficult decisions about under-utilized and excessively high-cost programs, and for promoting mission differentiation among similar universities. If efficiency is the major thrust of a rationale to reorganize higher education, then economic efficiency can be pursued by functional specialization which locates similar institutions in a single system. In order to obtain economies of scale among doctoral-granting universities, it might be necessary to offer joint degree programs or to emphasize certain doctoral programs at certain institutions and de-emphasize or even terminate others. These factors argue persuasively for placing Northern, Southern, and Illinois State in one system because each is a doctoral-granting university where research as well as teaching is an important and valued activity.

This rationale does not de-emphasize either the importance or contribution made by each of the public universities emphasizing undergraduate programs. However, it makes full sense to locate those institutions in the same system. Interestingly, we already have that system largely in place as the Board of Governors System. This proposal adds Sangamon State University to the Board of Governors.

There would be another way to separate doctoral-granting universities and public universities into two groupings. Each doctoral university could be given its own governing board, and the Board of Governors would be retained as a separate system. This alternative, in the opinion of this author, would be clearly the most politically palatable. It would give Northern Illinois University its own governing board, thus meeting the

continued request of Northern's representatives. Southern Illinois University would retain its own governing board, as would the University of Illinois. A new governing board would be created for Illinois State University.

This "six-system" arrangement would be far different from the conceptual emphasis on economic efficiency in the four-system model proposed in this paper. In a six-system model, the value is not economic efficiency but, rather, access and equity. If broad access to graduate education is essential to the economic and technological development so important in Illinois, then promoting access for Illinois citizens to a number of doctoral-granting universities throughout the State likely will stimulate program development, institutional initiatives, and interinstitutional competition. The model of adults pursuing graduate education part-time while they maintain full-time employment is now commonplace in American higher education. Access to institutions offering graduate education to adults could be a vital investment strategy in the future economic growth and development of the State.

Such a "six-system" arrangement, thus, is expansive and oriented to an investment in the future. It is not offered as a viable alternative in this paper, because while there has been an ample supply of political and public rhetoric on the necessity to support higher education, each year with few exceptions such support from the State has not materialized. Economic efficiency, thus, appears to be a more realistic albeit less desirable alternative to pursue.

Summary

This proposal advocates consideration of a four-system configuration in Illinois higher education with emphasis on creating a single system of doctoral-granting universities in addition to the major research university at Urbana. But, more importantly, this proposal argues against a fundamental reorganization of Illinois higher education by either creating a single consolidated governing board or giving all universities their own governing boards. It maintains the community colleges and the University of Illinois in separate systems. Doctoral-granting universities would constitute a new system, and public universities would comprise the Board of Governors System.

There would be some modest cost savings in eliminating one higher education system in the State. More important, the reconfiguration would aggregate campuses in systems where greater interinstitutional cooperation could be fostered, where program duplication could be reduced, and where institutional missions could be differentiated.

Illinois' higher education has a "proud past and a vital future," to quote a Carnegie Commission phrase. It is critical that we work together to maximize support to individual campuses in ways consistent with existing and anticipated State resources and to enable Illinois to regain its national reputation as a leader in higher education.

Thank you for the opportunity to present my testimony to this Committee.

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FIGURE 1
ALTERNATIVE GOVERNANCE MODELS FOR ILLINOIS HIGHER EDUCATION

Single-System Model	Two-System Model	Three-System Model (Somit Model)	Four-System Model	Five-System Model	Decentralized Model
* All public universities and all community colleges	* Senior U.	* "The U. of I." U of I NIU SIU	* U of I	* U of I	* Coordinating Board
	* Community Colleges		* "Doctoral-granting U System" ISU, NIU, SIU	* SIU	* Each University has a separate governing board
		* "State U. of I." 8 campuses	* Bd of Governors 6 campuses	* Bd of Regents	* ICCB Community Colleges
		* Community Colleges	* Community Colleges	* Bd of Governors	
				* Community Colleges	

Geographically-based 3 or 4-System Model

* University of Northern Illinois
* University of Central Illinois
* University of Southern Illinois
* Community Colleges

TABLE 1
ILLINOIS HIGHER EDUCATION DURING THE 1980s

	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
2 yr % gains*	18	17	17	4	8	14	19	18	1	1
Per capita** Current $	78.00	85.90	87.30	89.80	96.58	103.20	114.58	121.12	115.27	120.83
Per capita*** Constant $	32.77	32.54	30.10	29.06	29.72	29.74	31.56	33.00	31.07	32.22
Per capita** Rank	33	34	36	36	35	37	38	35	44	43
Per $1,000** Personal Income Current $	8.76	8.77	8.28	7.76	7.73	8.29	8.27	8.18	7.40	7.35
Per $1,000*** Personal Income Constant $	3.68	3.32	2.86	2.51	2.38	2.39	2.28	2.23	1.99	1.96
Per $1,000** Personal Income Rank	42	41	41	41	41	40	39	41****	44	43
Hepi	2.38	2.64	2.90	3.09	3.25	3.47	3.63	3.67	3.71	3.75

*From GRAPEVINE data using revised figures; two year% gains represent the gain in percent of state tax appropriations in the year listed over the same figure two years earlier.
**For FY1979-80 through FY1985-1986, taken from "Seven Scales.." as published in the Chronicle of Higher Education (unrevised data). For FY1986-87 through FY1988-89, calculated from GRAPEVINE data, using revised figures.
***Calculated, using the Higher Education Price Index.
****An estimated ranking; all other rankings were calculated.

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August 30, 1989

TO: Ed Hines

FROM: Alan Hickrod

SUBJECT: Possible Insert: Higher Education Governance Paper

The real difficulty here is that it is not possible to design a governance structure in the absence of clearly stated goals which the newly designed product is supposed to achieve. To use a homely analogy, you design a four cylinder engine for one set of purposes and a six cylinder engine for another set of purposes. By the same token, a four unit governance system for higher education in Illinois would serve one set of purposes and a six unit governance system would serve quite a different set of purposes. We believe, if economic efficiency is the goal that is to be served, then the four unit governance system (U of I; all other doctoral; Board of Governors; and Community College Board) has much to recommend it. Not only would the expense of one board be immediately saved, it would be hoped that, if some duplication of graduate programs at ISU, Northern, and Southern exists, this problem could also be attacked. However, suppose the primary goal is not economic efficiency, but, rather, a matter of adequate investment in higher education and perhaps also an equity matter, such as access to graduate education in Illinois. Then, the four-unit system is not necessarily what would best serve the state.

A six-unit system, with separate boards for the University of Illinois, Northern, ISU, Southern, plus the Board of Governors, and the Community College system would very likely expand graduate education in the state. And, an argument can certainly be made for doing exactly that. If broad and open access to graduate education is central to the economic development of the state and to maintaining the technological leadership that most states try to maintain in these competitive time, then such an expanded system can be defended. It can also be defended on equity or access grounds. It is important that the sons and daughters of taxpayers in all parts of the state have relatively equal access to advanced educational programs without the hardship of long drives and very long hours of invested time. This is particularly true in modern graduate education since so much of graduate education is now a matter of adult, part-time students who are holding full-time jobs while they pursue their graduate education goals. We do not live in an age where the state's need for graduate education can be handled by a single in-residence program located at one and only one location in the state. Viewed from this perspective, there may be little or no duplication in graduate programs at Northern, ISU and Southern. To the contrary, it may be in the interest of the economic development of

the state to expand graduate education in one or more of these locations. But we do think that the argument should be cast up in these terms: a four-unit system is frugal, economically efficient, etc., just like a four cylinder car. A six-unit system is a much higher performance system. It is more expensive, but it is also designed to deliver services that a four-unit system will never provide.

Hard empirical evidence to support either the four-unit system or the six-unit system is very hard to come by. Studies by the Center for the Study of Educational Finance at ISU present compelling evidence that investment in both higher education and K-12 education has been very weak over the last decade. If this is correct, then an expansionist position may be justifiable and that argues for the six-unit system over the four-unit system. On the other hand, revenue problems are severe in Illinois with competition from other public sevices expected to grow, and that argues for the four-unit system. By a slim majority we are inclined to go for the six-unit system largely because we feel that to fail to invest enough in higher education over the next decade would condemn generations of Illinois residents to lower economic development and that is too much of a responsibility for us to accept. It is one thing to make mistakes for your own generation, but to make them for your children and your grandchildren is quite something else. In short, we tend to accept the danger of over-investment because the consequences of under-investment constitute a greater danger to the society.

Illinois State University

College of Education
Center for Higher Education

October 7, 1989

Dr. John Huther
Illinois Board of Higher Education
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Springfield, IL 62704

Dear John:

Thanks for your telephone call and letter. I am pleased that the Committee on Scope, Structure, and Productivity found my testimony to be useful. . . . In this brief letter, let me begin to look at the two questions which you raised: 1) How might a four-system configuration help carry out the goals of Illinois Higher Education? and 2) How would this configuration help better serve the State's needs?

There are no empirical reasons to believe that structure is a causal factor to such issues as better system leadership, greater program efficiency, more effective campus relationships, or higher-quality educational outcomes. If anything, structure is an antecedent condition to these other issues. Structural change in higher education has reached the point where we need fundamental change simply to realign the actors and alter the relationships which are important to higher education.

If structural change will not precipitate other changes, then the question becomes "Why move in the direction of structural change in the first place?" As I see it, there might be two reasons for effecting structural change. First, structural change would be justified if a significant number of higher education leaders believed that this change was a necessary precondition to stimulate new relationships in the political arena, establish a renewed sense of momentum, or increase opportunity for campuses as a result of the change. For instance, would opportunities increase for Edwardsville if it had greater autonomy, not possible within a larger system? I would tend to answer this question in the affirmative, but there is no solid empirical basis for judgment.

A second reason for structural change would be to move toward a policy goal for which structural change was deemed to be necessary. The two policy goals which come to mind are achieving greater economic efficiency or expanding access, opportunity, and competitive advantage for especially the doctoral-granting campuses. These goals are articulated well by my colleague, Alan Hickrod, in his memo to me (attached with his permission).

A leaner, four-system configuration likely would stimulate greater interinstitutional cooperation during a time when resources savings and sharing might be important. Given Illinois' poor record of State support during the 1980s, it seemed to me that a four-system configuration made greater sense. The other view, however, posits a future where we should increase access, opportunity, and stimulate campuses to greater external involvement. The downside risk of such a environment is to foster competition between and among campuses. The stronger schools will become more so, and the weaker schools will become more mediocre. There is generalize support for the benefits of decentralization as we have seen in other sectors of the economy. In the final analysis, it comes down to a judgment about the conditions which will help ensure our future.

The statement which you enclosed (Proposed Goals, September 20, 1989) seems to point in the direction of increasing access, opportunity, and expansion. The six-system configuration giving doctoral campuses their own governing boards is more consistent with expansion. Additionally, it responds to Northern's continued request while not "penalizing" Southern by placing it in a new system of doctoral-granting universities (the four-system model). Finally, it gives ISU its own board.

Two of the sections in the paper on goals deal with institutional diversity and quality. These goal statements can be posed as research questions: "Will greater institutional diversity lead to greater quality and cost effectiveness?" Conventional wisdom in higher education, it seems to me, would posit a positive association between diversity and choice. Greater institutional diversity will provide more choice for citizens and students among institutions. To return to the original question, "Will a four-system configuration increase diversity and thus, choice?" The answer is not totally clear. It might seem at first glance that a less centralized statewide configuration (especially if doctoral universities each had their own Boards) would lead to greater institutional diversity. In other words, systems lead to greater centralization which is associated with less institutional diversity because of the homogenization associated with the system. My experience in the State University of New York would confirm the positive association between system centralization and lack of institutional diversity.

The second question on the relationship between diversity and quality is even less clear (and the IBHE goals statement does not suggest any necessary association between these two characteristics). It is, nonetheless, important to ask the question because of the effect on both diversity and quality of any change in structure. In order to examine the relationship between diversity and quality, I refer to the research of Volkwein which I summarized in my ASHE-Eric Higher Education Report to which I referred in my testimony. This summary (which has been read and approved by Volkwein) is reproduced in an attachment to this memo. Volkwein was interested principally in the relationship between state regulation and autonomy as well as the impact of state regulations on campus and program quality. In summary, quality appears to be related to economic factors, such as the generosity of state funding, while regulation (and autonomy) derives from political factors.

With regard to the quality issue, therefore, factors such as the level of state tax support over time are much more important than issues related to either regulation or autonomy. The choice, therefore, of the preferred statewide governance structure in Illinois should be unrelated to quality, but structure does appear to be related to campus autonomy and diversity. And, the choice of structure depends on the position taken on campus autonomy. Greater autonomy (the six-system configuration) may stimulate diversity and choice, but result in greater competitiveness among campuses. A more centralized arrangement may be associated with less autonomy. The outcome likely will depend on the policy preference of the Committee on Scope, Structure, and Productivity.

Sincerely,

Edward R. Hines
Professor of Educational Administration

from Edward R. Hines (1988) HIGHER EDUCATION AND STATE GOVERNMENTS:
RENEWED PARTNERSHIP, COOPERATION, OR COMPETITION? ASHE-ERIC
Higher Education Report No. 5. Washington, D.C.: Association
for the Study of Higher Education.

tonomy—no external controls over higher education—exists (Dressel 1980), yet in the early 1980s, observers recognized that higher education encountered too much intrusion from government. The state exerts control over higher education in five specific areas: restricting institutional authority to reallocate funds among categories of expenditures during the fiscal year; regulating purchasing, personnel, and capital construction; regulating retention and management of local revenues, including tuition and fees; requiring that unexpended fund balances be returned to the state; and requiring preaudits of institutional operations (Hyatt and Santiago 1984).

Deregulation has occurred in a number of states. Idaho changed its controls over appropriations from a line-item appropriation based on full-time enrollments to a lump-sum appropriation to the governing board for public institutions. Kentucky passed a bill giving individual campuses more flexibility in purchasing, capital construction, real estate acquisition, accounting, auditing, and payroll. In Maryland, a task force appointed by the governor recommended that campuses be given more discretion in using budgeted funds, in providing incentives for external fund raising, and in implementing more streamlined procedures for submission and execution of their budgets. In Connecticut, a new tuition fund gives the University of Connecticut authority to set tuition and to retain revenues from tuition. Based on a study that found that New York State gave SUNY campuses little autonomy in fiscal, personnel, and programmatic areas (Independent Commission 1985), New York passed legislation to increase the flexibility of the state university and to decrease state controls over it.

The effects of deregulation

The effects of deregulation have been documented in the literature. In Colorado, for example, deregulation focused primarily on the process by which higher education institutions were funded. In 1981, the legislature ratified an agreement between its Joint Budget Committee and all public institutions of higher education in the state. Labeled the "Memorandum of Understanding," the agreement transferred responsibility for financial management from the legislature to the institutional governing boards (McCoy 1983). The memorandum set forth four principles: (1) each governing board should have the final authority for setting levels of expenditure for institutions; (2) the level of state appropriations should be based on general fund support per FTE student rather than on line items based on past funding trends; (3) each governing board should set tuition levels for institutions; and (4) each governing board should be able to retain and roll over cash revenues generated within institutions (Tancredo 1984). While the memorandum shifted authority from the legislature to the governing boards in fiscal affairs, a problem resulted between personnel policy and fiscal policy when the state set pay increases for classified staff without increasing appropriations to pay for them. As a result, tuition levels increased rapidly (McCoy 1984).

A project supported by the Fund for the Improvement of Post-Secondary Education and completed at the Education Commission of the States examined incentives for management flexibility and quality in higher education. The resulting *Catalog of Changes* identified broad policy changes that occurred in Colorado and Minnesota and more specific policy changes that occurred in 13 states (Folger and McGuinness 1984). "Institutional operations are most effective when spending decisions are made close to operations, and when officials have the responsibility for managing their own resources" (p. 2). The most common approaches to improving quality have been to provide special funds for improvement in specific areas, such as engineering, science, or libraries; to deemphasize enrollment-driven aid formulas; and to provide special endowments to attract scholars. In the areas pertaining to specific policies, 12 of the 13 examples dealt with program or institutional funding; one was concerned with testing students to help improve students' basic competency in mathematics.

Deregulation is a complex and sensitive area, and additional empirical studies are needed to assess the results on providing more flexibility in management to institutions. J. Fredericks Volkwein has conducted the longest-running research of this topic, examining the effects of regulation and autonomy on a number of different measures of quality, cost, and administrative organization for a population of 86 universities (from the approximately 120 campuses in the Carnegie classification of public research universities in each state, including each of the flagship universities).

First, Volkwein set out to examine the relationships between state oversight and campus costs. Using data on administrative expenditures, administrative salaries, and "administrative elaborateness" (measured by the number of vice presidents and deans), Volkwein found virtually no differences among those

campuses having a high degree of autonomy versus those campuses with heavy oversight by the state. The study did find, however, that less-regulated campuses depended less on state appropriations and were more able to develop alternative sources of revenue, such as grants, contracts, gifts, and endowments (1986b).

Second, Volkwein examined the relationship between academic and financial flexibility and academic quality. Academic quality was measured by five variables: faculty reputational ratings, research funding, and Barron's, Cass and Birnbaum's, and Fiske's ratings of academic and campus quality. Academic flexibility was measured by six variables from the 1982 Carnegie survey, and financial flexibility was comprised of nine items from a 1983 Volkwein survey. Academic quality was found to be correlated with the level of state appropriations and with campus size but not with academic or financial flexibility. Freedom from external academic and financial control, therefore, was not found to be associated with faculty and student quality (1986a).

Following the second study, Volkwein formulated a number of hypotheses to explain the results. Three of the hypotheses were explained in a third study, which investigated the relationship between autonomy and changes in quality of the graduate program, undergraduate selectivity, and external funding (Volkwein 1989). Changes and differences in quality were associated with differences in generosity of state funding and campus size, not with autonomy. These findings held true not only for the total sample of 86 public universities over time, but also for those receiving below-average state support and for those receiving above-average support. Under conditions of financial stringency and of generous support, "campus autonomy has virtually no meaningful association with measures of quality; instead, the sizes and resource bases of public universities appear to hold the keys to quality" (Volkwein 1989).

Finally, Volkwein summarized the literature on the topic and examined the correlates of state regulation and autonomy (1987). He found that state controls were more common in states with a heavy tax burden, a low proportion of school-age children, a stronger state agency for higher education, an effective and well-staffed legislature, and a high proportion of private universities. Autonomy and quality were found to be statistically unrelated because they appear to have different causes. Regulation derives largely from political factors, whereas quality derives mainly from economic factors; "while political factors may be more influential in producing regulation, university quality may be more clearly a result of state investment" (Volkwein 1989).

With reference to Colorado's efforts in strengthening governing boards and improving budget practices, a similar point was made about the importance of funding to campuses in general and about flexibility in particular:

> *The greatest loss of flexibility to institutional managers in recent years has not come from intrusive state controls of an insensitive bureaucracy. The greatest loss of flexibility has come from inadequate funding. If you keep having dollars taken away from you, there's less and less flexibility in your situation* (Callan 1984, p. 7).

Summary

The state higher education agency is in a key position to provide and to facilitate leadership for higher education in the states. No single best way exists to organize a state structure for higher education. What is needed is an understanding of the history and circumstances in a state, the needs of higher education and state government, and the key actors inside and outside higher education who will be involved in determining policy.

Multicampus universities continue to be a major segment of American higher education, representing one-third of the total number of campuses and over half of the total student enrollment nationwide. Trustees and members of governing boards are key policy makers for higher education. More often than not, they speak for higher education in the state. They have the opportunity to buffer higher education from inappropriate intrusion that may be bureaucratic, ideological, or political in nature. Too often, however, governors and legislators are involved in the selection of chancellors and presidents for political rather than educational ends.

Of the many actors and officials whose functions have influence in higher education, none are more important to higher education than governors; in fact, some believe that the governor has become the single most important person in higher education. Lobbying has increased in frequency and intensity and effectiveness in recent years. A newer style of lobbying features building broad-based coalitions, identifying people outside

Illinois State University
College of Education
Center for Higher Education

November 7, 1989

Mr. Kevin B. Noone
Commission on Intergovernmental Cooperation
707 Stratton Building
Springfield, IL 62706

Dear Mr. Noone:

Thank you for your letter of October 28th and the invitation to prepare testimony for the Commission on Intergovernmental Cooperation regarding governing board effectiveness in Illinois higher education. I had decided not to attempt to prepare testimony because of an especially busy Fall Semester at Illinois State University. However, while driving to and from Springfield today to teach an ISU course offered by the Central Illinois Consortium at Sangamon State, I head Senator Welch several times on the radio talking about the need for Northern to have its own governing board. I find that issue so repetitive and the rationale so weak that I am compelled to offer these brief remarks to you.

As a newly-elected member of the IBHE Faculty Advisory Committee, this summer, I prepared testimony for the Committee on Scope, Structure and Productivity dealing with the statewide structure for higher education in Illinois. That testimony and a supplemental memo on quality and diversity in higher education will be published by the Center for the Study of Educational Finance at Illinois State, and an advanced copy is enclosed. I attempted to reflect on the Illinois system of systems from the vantage point of my experiences in Ohio, Pennsylvania and New York, including my staff work with the New York Governor's Higher Education Commission, as well as in Illinois. What has evolved in Illinois is a complex and cumbersome statewide structure for higher education. This structure, however, has survived the test of time, principally because it has fulfilled the purpose of acting as a "buffer" (to use Lyman Glenny's term) between higher education and government and by providing a system of checks and balances among the five higher education systems.

The fundamental problem in Illinois higher education is economic, not political. Solutions call for economic and fiscal measures, not political measures. One such measure is greater investment in higher education by the State, which occurred this year because of the tax increase. Another measure is campus-based reallocation which is and will increasingly be occurring. Still another measure is greater interinstitutional cooperation which likely will be stimulated by retaining the system of systems. By giving institutions more independence, there will be less incentive to cooperate with each other. A structural change made to reduce or eliminate systems in favor of greater institutional independence is a political solution; what is needed are economic solutions to economic problems.

Northern Illinois University's problem, as was Southern Illinois University's problem of two decades ago, is essentially political. That is, they seek autonomous status because it is believed that it will support their desire to obtain additional resources. However, at a time when higher education is experiencing statewide stability in enrollments, individual campuses which are growing are doing so because of location and demographics. Effecting a statewide solution (changing the governance structure) because of the situation of a single campus would be short-sighted and wrong.

There is the continuing matter of the leadership and effectiveness of the Board of Regents. I am not an expert or an experienced "board watcher" on this issue. Thus, I would not attempt to provide testimony on possible solutions to this issue, except to say that changing the statewide governance structure to alleviate the problems of a single system is equally short-sighted. If the problem lies with the Board of Regents, better to change its leadership, board membership, presidential selection, or function.

In my testimony, I presented a modest case for giving each doctoral-granting public university (U of I, SIU, NIU, ISU) its own governing board. The rationale for this would be based on increasing access to doctoral-granting universities. This change assumes that program development, institutional initiatives, and interinstitutional competition would be stimulated. This change would be appealing politically. It would demonstrate a willingness to make structural change, and it would appease supports of a separate boards for Northern.

There are however, a number of disadvantages with giving these institutions their own boards. Since Illinois and Southern already have their own boards, it comes down to creating new structures for both NIU and ISU. Assuredly, competition between and among doctoral-granting universities will increase. In turn, this likely will necessitate strengthening the Board of Higher Education which will need to serve as an arbiter as issues of conflict arise. Additionally, each of the "independent" universities will increase their respective administrative staffs, lobbying capacities, legislative liaison, and public relations in order to strengthen their respective capabilities to obtain additional resources.

Under a new governance arrangement in Illinois higher education, the current balance among doctoral-granting universities will shift. Northern will assert itself as a strong "number two" public institution in the state. At a time when resources will be increasingly scarce, such a move will diminish either the University of Illinois or one or more other public universities in the state. Urbana is the premier flagship research university in the state. The entire state, including other universities, benefits from its excellence. I see neither benefit nor advantage emanating from other institutions who attempt to gain flagship status. Perhaps either Southern or ISU, rather than Urbana, will be diminished in order to provide additional resources for Northern. Given the location, clientele, and missions of these other universities, it is difficult to envision gain in this situation.

Structural changes seldom are worthy ends in themselves. Structural change should be made only in response to clear and substantial problems. Evidence for such problems must go beyond a single institution or even a single system. Such evidence is not forthcoming in Illinois because it does not exist.

While I attempted to rationalize a modest structural change in my original testimony, I readily admit that it was offered in more of an exploratory, rather than a definitive, nature. I primarily was concerned about the many disadvantages inherent in more fundamental change in statewide higher education structure in Illinois. I still have those concerns and ask the Commission not to make such changes simply to acceded to the request of a single institution.

Very truly yours,

Edward R. Hines
Professor of Educational Administration and
Foundations

END

U.S. Dept. of Education

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Date Filmed

March 29, 1991